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VOL. VI, No. 2 APRIL 1938

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This publication is provided as a medium for the expression of individual opinion concerning appraisal practice and procedure and topics allied thereto. The articles printed herein do not necessarily represent the endorsement of the Institute nor of the majority of the members excepting as such statements may be designated as approved by the Governing Council. The Editors exercise only a general supervision of the material and assume no responsibility for the opinions expressed by the contributors.

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• With The Editors •

". . . WITHOUT JUST COMPENSATION"

THE Institute's Education Committee will shortly announce a special course in "Condemnation Appraising and Court Testimony," to be offered at the University of Chicago in the summer. This will be real news to lawyers, Realtors, appraisers, and others interested in the taking of private property for public use. We are informed that the lectures will cover a complete range of the many problems involved in property acquisition, including the laws pertaining to *eminent domain* and legal precedents in various states, valuation principles and practice, and court procedure. The lecturers are to be specialists of wide experience in their particular subjects and will be drawn from various sections of the country.

To the best of our knowledge, this will be the first time an attempt has been made to bring about some order and understanding out of the confusion of thinking and practice in expropriation matters. The taking of land for public use has developed situations in many of our cities that have seemed nothing short of disgraceful to the fair-minded citizens as well as to the harassed taxpayers. The methods followed have too frequently brought about a union of political "skulduggery" and legal machination which has begot a motley brood of racketeers and incompetents all along the line. Even when the public improvements are ultimately completed, the costs are usually staggering as compared to those which reasonably should have been required. In spite of this, the damages paid to the property owner many times have fallen far short of the "just compensation" to which he is entitled under his constitutional rights. One of the commonest methods adopted by the political authority is to drag out the time of the taking over such a long period that the general property values in the area become impaired.

The plan takes on the aspect of a regular cycle. First the announcement is made, the area is defined, and the preliminary steps to prove necessity and for financing are undertaken. The property owners, under the expectation of condemnation, are unable to renew leases with tenants; they fail to make necessary repairs, and values drop. Here the assessor steps in and reduces his figures far below the real intrinsic worth of the properties. The next step is "spot acquisition" of typical holdings by purchase from those unable to continue to carry their properties at prices as close to the lowered assessed values as possible. Finally, actual condemnation is started, using such "forced sales" as controlling evidence of fair market value as the measure of compensation.

On the other hand, in many projects, private interests have, through the purchase of political preferment or perjured and incompetent testimony, received compensation far in excess of any reasonable loss or damage sustained. The burden, of course, is passed along to the taxpayers.

In either instance, the "cake" is large, but it has to be when so many slices are required. If there were a proper understanding of real estate economics, property analyses, and valuation principles upon the part of both the public and the courts, much of the difficulty could be overcome. It would not only bring about more equitable awards but, perhaps of even greater importance, reduce the chance for collusion and graft and speed up the completion of the public works involved. In the light of past experience, the prospects of such a solution are certainly not encouraging.

Perhaps this course of instruction may show us the way out, bringing together the lawyer, the Realtor, and the appraiser, to study their interrelated problems under proper guidance. Certainly it is a move in the right direction, and the endeavor is worthy of the support of every citizen. For whether he knows it or not, he is an interested party in some form or another.

* * *

JUST A MATTER OF FORM?

A FEW days ago a successful Midwestern attorney called a member of the Institute in his home city and said:

"We are incorporating the Amos Fly-high enterprises preparatory to refinancing. We have to secure the approval of the State Corporation Commission to a proposed bond issue, and an appraisal of the plant properties is required to qualify the security. We should like to have you make the appraisal. We have had to spend a lot of money for an audit and for legal expenses so we shall have to hold the cost of the appraisal down. Filing an appraisal is just a matter of form anyway so we shall appreciate it if you will give us your offhand estimate of value in writing without going to any particular trouble about it. That will be close enough."

The lawyer made his request in good faith. Nothing about it, apparently, struck him as being out of line. He was not attempting "to put anything over." He simply lacked an appreciation of what an adequate appraisal involved and what a responsible appraiser would be forced to do for his own satisfaction and protection in fulfilling the assignment.

His suggestion to the appraiser would have been paralleled to a degree had a client called the attorney and said:

"We have an important matter coming up before the State Corporation Commission in connection with the incorporation of a business and the securing of approval for a bond issue. We cannot pay much for legal advice, and we doubt if we need it anyway, but we should like to have you assume responsibility for all of the legal aspects of the hearing. Do not go to the trouble of looking up the law or familiarizing yourself with our proposal. You will hit it close enough."

The appraiser will find it well worth his while to handle a situation of this kind with tact and tolerance, particularly inasmuch as the misapprehension held in some quarters as to appraisal standards and procedure has been occasioned by an acquaintance with all too much hit-or-miss appraisal work. The legal profession as a whole will welcome and require quality appraisal service when a wider understanding is current of what is and should be offered in the field.

* * *

OUT OF THE WRINGER

EVERYONE is so busy these days dumping the other fellow's dirty linen into the tub that he hasn't time to see what comes out of the wringer, let alone to check up his own laundry list—this is, everyone except the statisticians. They are having a lovely time hanging the stuff on the line in the vain hope that someone will notice and do something about it.

Take this "washout" of real estate mortgages for instance. "Blue Monday" is nearly over, and a world of interesting material has come to light. If carefully sorted and ironed, maybe we could soon "doll up" and start calling on the neighbors once more.

The Federal Housing Administration has been the leader in mortgage analyses, but this has required the cooperation of many private agencies whose independent investigations of their own loan history are already resulting in many changes in policy. The trouble is that there has been no real attempt to interpret and publicize the data in the terms the public can understand.

The average investor is still thinking of net returns from real estate at the rates to which he grew accustomed ten years ago. If he buys an income property that is 100 per cent occupied by good tenants but which is producing only one half the rent it did in predepression days, then he thinks the property is worth only one half as much. It is more probable that the property value has shrunk no more than might be expected from the continual ravages of depreciation. The facts are that the ability of capital to produce a profit has declined. On the other hand, the same man buying securities will take them at declared value when he knows that the interest or dividend payments are far less than those formerly prevailing. Not only that, but he confidently thinks he is going to make a profit on them just as soon as conditions improve. This is particularly hard to understand when it is realized that the securities he buys are simply evidences of debts, the payment of which he cannot control, whereas in the purchase of real estate he gets a fixed asset to do with as he pleases.

Even a casual review of mortgage statistics leads to the conclusion that loans on good real estate are about the safest and best paying investment that can be made or that could have been made in the past.

The losses that occurred were attributable almost entirely to unsound financing and not to the failure of the real estate itself. Equities, of course, suffered heavily through the inflexibility of interest rates under the old order. They are coming back again but very slowly. A real revival cannot be anticipated until investing capital recognizes that the lowering of returns applies to real estate as well as to stocks and bonds.

A start toward this is made through the new Federal housing legislation which will provide for guarantee of loans on homes as high as 90 per cent of appraised values at greatly reduced interest rates. The statistics appear to justify the entire set-up. For example, one of the larger insurance companies having more than 75 per cent of its real estate loans in residential property showed that less than 5 per cent of the total loans on single-family homes defaulted and that the loss sustained was but slightly over one half of 1 per cent. In two- to four-family homes, the "trouble" loans increased to about 10 per cent with loses of 1¾ per cent. In five- to eight-family homes, the ratio approximated 12 per cent and 2½ per cent, respectively. For those loans on residential properties of over eight families—apartment houses—30 per cent of all outstanding loans were involved. Even in this classification, however, the net loss sustained was less than 3 per cent of the outstanding mortgages.

There seems to be ample capital available and awaiting sound investment opportunities. Of course, this capital cannot be released for real estate development until construction costs are reduced or rentals are raised to the point required to meet operating expenses. Beyond that point, capital must recognize the new era of lowered returns, and, when it does, the real estate investment is going to stand high in the ratings of risk and stability, whether in mortgages or equities.

Certainly we should learn something from our national "cleanup." Our statisticians have done their part, and the governmental agencies are taking important steps toward the actual *protection* of capital. All we need now is to get the story across to the investing public. This looks like a major assignment for the appraiser who deals in *values* and who uses the rates of return and capitalization as essential to that end.

* * *

A NEW TYPE OF INSURANCE

PROPERLY to estimate the *present worth* of future benefits, it is necessary first of all to estimate the *future benefits.*

These benefits arise from a combination of a great many different factors. None of these factors is of greater importance—particularly in the case of income real estate—than the factor of *management.* Yet there are few, if any, factors less understood. This is for the reason that no widely accepted standards of management have ever been developed. And there is still no organized body of knowledge—and very little literature in the field of real estate management.

An income real property may produce a splendid gross revenue but, because of incompetent or dishonest management, return little or no net income to the owner. Another property, handicapped by bad location and other harsh disadvantages, may, through superior management, produce an attractive net profit for its owner.

Real estate value and real estate management are closely related. Future benefits of a property are largely dependent upon the quality of management it will have. Appraisers have long realized the truth of this; but they have had no satisfactory technique for evaluating the quality of management. They have assumed that the property under appraisement would have "typical" or "average" management. But they have had no means of identifying typical or average management. No one has yet developed any standard by which the management of an income real property can be definitely identified as either typical or nontypical. As a result, there is a large amount of unavoidable guess and conjecture in the appraisal of income real estate.

The Institute of Real Estate Management is taking steps to correct this situation. It has undertaken to professionalize the vocation through the establishment of standards of competency and standards of performance. These standards take account of experience and training and include the passing of a rigid examination. The individual who meets the admissions requirements satisfactorily is awarded the title of Certified Property Manager and is authorized to use the professional designation "C.P.M." after his name.

Each C.P.M. is required to sign the following professional pledge:

"I hereby pledge myself to act in strict accordance with the principles, declarations, and regulations of The Institute of Real Estate Management.

"I pledge myself in particular to place honesty and thorough work above all else in my administration of real property; to advance myself constantly in knowledge and ability through the study of literature on real estate management, the instruction of eminent teachers, the interchange of experiences with fellow Certified Property Managers, and attendance at meetings of the Institute whenever possible; to be faithful to the personal interests of my professional brothers and to seek their counsel when in doubt of my own judgment; to render willing help to my fellow Certified Property Managers; and to give my services freely to the Institute as required or desired.

"Moreover, I pledge myself to shun unwarranted personal publicity and dishonest money seeking as disgraceful to our profession; to render complete, thorough, and honest service to landlord and tenant alike regardless of monetary consideration; to strive assiduously to build goodwill for the properties under my charge and to use my best talents at all times to preserve and maintain the value of such properties; to secure the greatest possible net return to the owners of properties entrusted to my management; and to give devoted attention to the safety and comfort of tenants of these properties.

"Finally, I pledge myself to cooperate in advancing and extending, by every lawful means within my power, the influence of The Institute of Real Estate Management."

A great many different hazards surround the ownership of income real estate. They include such menaces as fire, tornado, earthquake, liability for personal injury, explosion, theft, and *incompetent management*. Heretofore the owner has been able to protect himself by insurance against all of these hazards except one—incompetent management. Now, he can insure himself against this hazard, too, by placing his property in charge of a C.P.M. More power to The Institute of Real Estate Management and its intelligent program for the creation of a great new profession!

* * *

VALUE AND SOCIOLOGY

VALUATION, as we consider it, is a science, meaning a higher order of knowledge than that commonly possessed, and is founded upon other sciences such as economics, which is that science which treats phenomena from the standpoint of price. In turn, economics is founded upon sociology, that science which deals with the behavior of people. Thus, value and sociology are so closely related that the value of property and the behavior of people are inseparably bound together.

What a man does (or pays for property) depends upon what he thinks; and what he thinks depends upon the reception of the stimuli presented; and in turn these stimuli depend upon what he thinks.

The relationship of valuation to the other fields of knowledge may be shown with a tree serving as the vehicle for the illustration. The roots may be likened to sociology; the trunk, to economics; and the branches, to the various phases of the valuation procedure which has many branches depending upon whether the purpose of the estimate is for sale or loan purposes or for public utility rate-making, inheritance tax, income tax, or others.

And so, the appraiser who presumes to advise regarding real estate investments and who considers valuation as a science separate and apart from its progenitors—economics and sociology—is as senseless as the doctor who proceeds to perform a major operation on a patient without first ascertaining whether the heart or other organs can withstand the shock.

We cannot isolate the heart from the human body and treat it as though it possessed an existence separate and apart from the rest of the body—nor can we consider the value of real estate as separate and apart from the science of price or the behavior of people.

When the appraiser comes to a realization of the interdependence of any phenomena upon all other phenomena, he has begun to appreciate the importance of his function. Until then his case is hopeless.

* * *

EDUCATION MARCHES ON

ONE day the professor said to his class in logic:

"Today we shall consider the Disjunc-

tive Arguments, the first of which is sometimes called the *Modus Tollendo Ponens*, or the mood which affirms by denying.

"The argument takes this form:
"A is either B or C,
A is not C,
Therefore A is B."

And so the professor proceeded to demonstrate with other simple illustrations. He read the first two lines of the following syllogisms, and the class supplied aloud the third line or conclusion to each, as follows:

Professor: "The ball is either white or black.
It is not black, therefore,"
Class: "It is white."
Professor: "He is either German or English.
He is not English, therefore,"
Class: "He is German."
Professor: "It is either raining or not raining.
It is not raining, therefore,"
Class: "It is raining."

And then the class laughed and laughed because they knew that if it is not raining, it is *not* raining. They had been lulled, tricked into a fallacious conclusion.

No fallacy is this conclusion: The appraiser must always learn. His education stops at the penalty of losing ground.

There are two very valid reasons why the appraiser's education must keep going:

1. His competitors are always learning, always improving, and always increasing in number.

2. There is so much to be learned. Appraising covers vast fields of study: economics, engineering, architecture, mathematics, etc. These are fundamental. Also fundamental, but not less important, is the study of the characteristics of real estate itself and of the peculiarities of different classes of real estate as they affect the value of individual properties.

Not lulled into fallacious complacence is the Institute's educational program. Appraisal courses, the first of their kind, at Chicago in the summer of 1935 and 1936 and at Columbia University in 1937, are to return to the University of Chicago in July, 1938. In February, Cleveland inaugurated similar classes as an extended evening program, and Chicago started the second evening class March 15.

To keep pace with the rapid developments in the field of appraisal thought, the text material has been revised and revised. To provide always new teaching material has been no small task, but those who have worked most diligently at the job have the satisfaction of knowing that the Institute is setting, not losing, the pace.

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Judicial Decisions on the Valuation of Real Estate

By DINSMORE TAYLOR

THE decisions of the courts, having to do with proper methods of valuation for appraisal of real estate, involve almost exclusively cases having to do with appraised values as set by the assessor for the purpose of taxation. In the state of Washington, all the decisions of the courts have to do with an interpretation and the construction of the statute providing for the method by which the assessor shall ascertain the true value of property. The pertinent part of our statute, Sec. 11135 Rem. Rev. Stats., reads as follows:

> "All property shall be assessed fifty per cent of its true and fair value in money. In determining the true and fair value of real or personal property, the assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation; nor shall he adopt as a criterion of value the price for which the said property would sell at auction, or at a forced sale, or in the aggregate with all the property in the town or district; but he shall value each article or description of property by itself, and at such price as he believes the same to be fairly worth in money at the time such assessment is made. The true cash value of property shall be that value at which the property would be taken in payment of a just debt from a solvent debtor. In assessing any tract or lot of real property, the value of the land, exclusive of improvements, shall be determined; also, the value of all improvements and structures thereon and the aggregate value of the property, including all structures and other improvements, excluding the value of crops growing on cultivated lands."

The statutes enacted by other states are similar. That is, the basis for assessment of property is its true and fair value in money. The statutory provisions are seemingly clear and simple. The difficulty lies in the methods adopted by taxing officials in order to arrive at this true and fair value in money. All during the years, taxpayers, deeming themselves aggrieved, have appealed to the courts for relief from inequitable appraisal methods, and it is from these decisions that certain general rules and principles have been evolved to serve as a guide in assessing the true value of property.

My examination has covered not only the decisions of the Supreme Court of the state of Washington but also certain leading cases from other jurisdictions. While I have not made an independent research of the authorities from these other jurisdictions, I have found several annotated notes appearing in the *American Law Reports* which cite and discuss the outstanding cases on this subject. This material forms the basis of the discussion which follows.

This article was delivered as an address by Mr. Taylor before a meeting of the Washington State Chapter Number 8 of the American Institute of Real Estate Appraisers on November 22, 1937.

PROSPECTIVE VALUE AS A BASIS OF VALUATION OF LAND FOR THE PURPOSE OF PROPERTY TAXATION

In the note appearing in Volume 24 A.L.R. at page 649, the general rule is laid down that prospective value cannot properly be made the substantive basis of assessment, but can be considered only to the extent that it enters into or is reflected by present value.

As illustrations of the liberality with which some courts apply this factor of assessment, I present the following:

In California it was held that the valuation of a ranch for taxation purposes was not to be restricted to the rental received as a "stock proposition," but that all of its capabilities or the uses to which it is adapted should be taken into consideration. *Pierce vs. Santa Barbara County*, 40 Cal. Appellate 302; 180 Pac. 641. In the Rhode Island case of *Slatersville Finishing Co. vs. Greene*, 40 R. I. 410, 101 Atl. 226, the Court stated:

> "The value of land depends upon its capacity for improvement. The elements of its value may be its fertility, the minerals in its soil, its location, the configuration of its surface and many other circumstances, one or more of which may be incident to a certain tract of land."

On the other hand, the rule that the prospective use to which land is capable of being put is not an exclusive factor is best illustrated by the decisions of the Supreme Court of the state of Washington. The leading case is *Samish Gun Club vs. Skagit County*, 118 Wash. 578. The facts brought out in the trial showed that the present use of the property as a hunting location was the only element of value taken into consideration by the assessor. The Court held that while the assessor had the right to take into consideration the value of the property as a hunting preserve, if such use gave an added value, but that taking into consideration the use, either general or special, to which a property may be put in determining its value is a different thing from assessing only the use which is being made of it. Illustrating its point, the writer of the opinion assumed that two persons respectively owned adjoining sections of land, both of which were valuable for the raising of wheat. It was further assumed that one of the owners devoted his land to the raising of wheat and that it netted him approximately $10 per acre, while the other owner devoted his portion of land to pasturage and received an income of approximately $1.00 per acre. The two sections of land would be of the same value even though one produced a greater income, and in making an assessment it would not be proper to assess the use to which the land upon which wheat was being raised was put, but both sections of land would be the same value, even though one was producing a greater income than the other, they both being adapted to the use to which the one producing the greater income was put.

In the case, *East Aberdeen Land Co. vs. Grays Harbor County*, 102 Wash. 172, it was held that the mere fact that a particular parcel of real estate was adjacent to tidewater did not enhance its value where it was shown that its only potential value was as possible waterfrontage to the owner of the adjoining upland tract.

In another case originating in Grays Harbor County, it was held that the assessor was in error in placing an increased valuation on a tract of land lying within the city limits of Aberdeen on the theory that it could be platted and sold as lots. The land in question was mostly swamp land, and it was rightly pointed out by the court that, where there might be the possibility of great value in the indefinite future as a subdivision of small lots, its present value was the basis upon which the assessment should be made. *Finch vs. Grays Harbor County*, 121 Wash. 486.

Another case along the same line is *Northern Pacific Railway Co. vs. Benton County*, 87 Wash. 534, wherein it was held that an assessed value of real estate, then but dry grazing land with no sale or mar-

ket value, was excessive when made on the assumption that the land would sometime in the future be reclaimed by irrigation.

THEORETICAL AND SPECULATIVE VALUES AS A BASIS FOR ASSESSMENT

Closely akin to the question of prospective use value are those cases holding that theoretical and speculative values are not a proper basis for assessment. The Supreme Court of the state of Washington has declared this principle so often that it is not necessary to examine the holdings of courts from other states:

Case vs. San Juan County, 59 Wash. 222.
Metropolitan Building Co. vs. King County, 62 Wash. 409.
Metropolitan Building Co. vs. King County, 64 Wash. 615.
Metropolitan Building Co. vs. King County, 72 Wash. 47.
Finch vs. Grays Harbor County, 121 Wash. 486.
Inland Empire R. Co. vs. Whitman County, 128 Wash. 358.
In re: Metropolitan Building Co., 144 Wash. 469.
Willapa Electric Co. vs. Pacific County, 160 Wash. 412.
Bank of Fairfield vs. Spokane County, 173 Wash. 145.

Some of these decisions have to do with the assessment of personal property rather than real property. Nevertheless, the rule laid down by the Court in these cases is applicable to real property since both classes of property are assessed under the statute upon the same basis. Of these cases, the ones particularly worthy of note and which best illustrate the reasoning of the Court are the Metropolitan Building Company cases. Another reason for noticing these cases in detail is their bearing on the question of income as a factor, which is discussed later. The Metropolitan Building Company, in the year 1907, entered into a lease with the state of Washington for a term of fifty years, leasing what is commonly known as the Old University of Washington Campus. During the early period of the lease, the investment of the Metropolitan Building Company was very unprofitable, and, as a result, much litigation occurred with respect to the assessed value of the tract. In the first of these decisions, reported in Volume 62 of Wash. Rep., the question before the court for determination was: "What is the proper basis for valuation of the leasehold interest of the Metropolitan Building Company in State Lands?" The assessor took the position that the value of this property should be measured by the investment and duration of the leasehold term. The building company, on the other hand, contended that the proper basis for assessment under the statute was the actual value in money of the leasehold interest on the date the assessment was made.

The Washington Supreme Court, in sustaining the contention of the lessee, said:

> "In determining the worth of a leasehold, the courts have universally held that it is the value of the term less the rent reserved. The value of the term is fixed with reference to present as well as prospective conditions; *not speculative, but actual.*"

In the second appeal to the Supreme Court, reported in 64 Wash. 615, the same set of facts was involved as in the first appeal. Holding in favor of the contention of the Metropolitan Building Company, the Court said:

> "While it is true that appellant has paid a considerable sum for the lease, has made valuable improvements, has issued bonds in the sum of $1,844,000 and hopes to realize at sometime in the future a profit on its investment, it indisputably appears that at the present time appellant is incurring a heavy loss which is constantly increasing, and that its entire enterprise may, and probably will, prove a financial failure unless growth of the city, improvement in the immediate locality, and material advancement in rental values cause the lease to appreciate in value. Should such an appreciation occur, an increased assessed valuation may then legitimately be imposed for the purposes of taxation."

An analysis of this decision shows clearly that the Court, in ordering a lower assessment, was motivated largely by the

evidence showing that the property had been operating at a loss of from $30,000 to $40,000 a year and, further, that it disregarded the facts presented by the assessor as to the actual amount of money invested by the lessee in the leasehold. For instance, the Court recites at length the facts that the company had been unable to rent its storerooms and offices and that its improvements had so far been largely "nonproductive."

Again in 1913 the Metropolitan Building Company had to go to the Supreme Court to have its assessed valuation reduced. The Court stated in this case:

> "We say here, as we have said before, that the value of the leasehold interest is to be measured by its burdens and its benefits."

It is likewise interesting to note that the Court commented extensively on the gross income and gross expenses of the property. Clearly, the determining factor in the minds of the Court was the nonproductiveness of the investment.

The last appeal of the Metropolitan Building Company to the Supreme Court with respect to its assessed value was in the year 1927. The opinion of the court cannot be summarized without losing much of its efficacy. Hence, I quote extensively from the decision as follows:

> "In the trial before the superior court, respondent proceeded upon the theory of showing its actual receipts and its reserves and disbursements, properly deductible, to the end that its net profit in operating under the lease should be ascertainable, and that net profit, properly capitalized, would show the value of the leasehold under the rule laid down in the previous decisions of this court. Disregarding the evidence to which objections were interposed, there is ample evidence in the case, properly received, to indicate that operations have resulted in a gross income for the year pending at the time of this levy of $1,174,909.23, and an average gross income for the five years preceding the levy of $1,041,564.68. There is like evidence also to show that, after deducting operating expenses, general expenses, proper amortization and reserves, the net income or profit for the year ending January 31, 1926, was $67,402.20, and the average profit for the five years preceding the levy was $73,958.45. This average profit, being the larger sum, when capitalized shows a value of $600,000 plus to $800,000 plus, according to the factor used, or an assessable value of $300,000 to $400,000 (the assessment being fifty per cent of the actual value) as against the $700,000 fixed by the county assessor in the first instance.
>
> "Evidence to this same effect was before the tax commission, but apparently that body disregarded all such evidence of the results of actual experience, and, by taking the total floor space at the building company's schedule of rents asked, determined that the gross annual receipts should be $1,598,756.51 less a deduction for theoretical vacancies of ten per cent, adopted an arbitrary rule of expenses, etc., based on floor space, and thus found a theoretical net annual profit of $346,825.76, which it capitalized at a valuation of $3,467,806.73; hence its valuation of $2,750,000 and assessed value of fifty per cent of that sum.
>
> "The difference between actual income as shown by respondent and the theoretical income as claimed by appellants more than covers the difference in the profits as contended for by each side. So we need not discuss the matter of expenses and reserves.
>
> "No doubt, one who owns a property capable by judicious management of being made profitable, and therefore valuable, may not complain if his property is assessed at a value that it would have attained if properly managed, and if he be unwise, slothful or indifferent in the conduct of his affairs, he may not urge his own remissness in such a case as this. But there is no question of that kind here. It is conceded, or at least not denied, that the building company's management has been very efficient, and it is reputed to be one of the best managers of such a property in the state.
>
> "There seems no doubt, from the evidence adduced, that Seattle has been somewhat overbuilt as to office buildings (the class here chiefly involved), and there is ample showing that respondent's vacancies, instead of running within a theoretical ten per cent, have been as high as twenty three per cent. Nor is respondent to be blamed for building somewhat in advance of the demand. It had a large tract to which it was eager to draw tenants. If it improved only up to one hundred per cent of the then demand, others more venturesome would probably forestall it, and, when a building was completed, it might be only to find that those who had been prospective tenants when the building was begun had been drawn to other sections to occupy buildings completed in the interim, and thus the development of the tract would be delayed, and perhaps the character of business once possible to have been

obtained would be forever lost to another and different locality. Having in mind the necessity of establishing business on such a tract in a new and growing city, we are inclined to the view that respondent acted wisely in building somewhat in advance of actual demand.

"The judgment, good faith and efficiency of respondent being unquestioned, it seems to us that to disregard the results of its actual operations in favor of a theory, based largely upon opinion evidence, was to act capriciously and arbitrarily as the law applies those terms.

"The appellant city proceeded upon a still different theory. Its evidence, in the main, was directed to establishing, by opinion evidence, the value of the land owned by the State and covered by the lease, to the establishment of a theoretical custom of leasing on a basis of six per cent of the value of the land, and from the amount of such a rental, plus taxes which would have been assessed against a private owner, the rental actually paid by the respondent was deducted and the balance capitalized for the unexpired term of the lease, thus showing a theoretical value running up to $8,000,000 plus.

"We cannot conceive of one desiring to purchase closing his eyes to the actual experience of an efficient operator and buying on such a theory. Moreover, the theory advanced by the city is, as we understand it, condemned by our previous holdings in the cases already cited. The evidence excluded, of which the city complains, if admitted would not have changed this situation.

"Were we called upon to fix the assessable value, it would be necessary to discuss in greater detail the reserves and deductions used by respondent in arriving at the amount of its annual profits; but since there was no appeal by the building company from the assessment of $700,000, which means as actual value of $1,400,000, and since, if the actual profits were doubled, the value would not exceed that sum, we see no present need for going further.

"We are convinced that the judgment of the trial court was right, and it is therefore affirmed." *In re: Metropolitan Building Co.*, 144 Wash. 469.

In all these cases, the Court repeatedly laid down the rule that theoretical and speculative values are not permissible. As is further illustrated by the various Metropolitan Building Company cases, the Court over a long period of years, in arriving at this rule, has been largely influenced by the factor of the income produced by the property. While in none of these cases does the Court say specifically that the income must be one of the factors taken into consideration, nevertheless it, itself, inferentially does so in passing upon the propriety of the particular assessment before it.

VALIDITY OF MINIMUM ASSESSMENT

An arbitrary minimum assessment was pronounced invalid by the Washington Supreme Court in the case of *Titlow vs. Pierce County*, 108 Wash. 633. In this particular case, the appellants were the owners of some 1,125 lots in outlying platted additions in Pierce County. During the year 1917, the county commenced an action seeking to condemn these lots for the purposes of an army post, and, in the condemnation suit, the jury returned a verdict in the sum of $1,568 as the fair cash market value of the property. In the meantime the county assessor had fixed an assessment valuation of $5.00 per lot, which he claimed to be 50 per cent of the actual fair cash market value of each lot. In the trial of the case, the assessor testified that the minimum valuation of $5.00 per lot was in conformity with a plan followed by him. Based upon the finding of the condemnation jury, the fair cash market value of the lots was $1.40 per lot. The Supreme Court reduced the assessed value to that fixed by the condemnation suit, holding that the law does not sanction an arbitrary minimum valuation; the assessment is to be made upon the fair cash market value, and the establishment of a minimum for all property, regardless of its actual value, is an arbitrary assessment which cannot stand.

ORIGINAL COST OF CONSTRUCTION OR REPRODUCTION COST AS PROPER FACTORS IN ASSESSING REAL PROPERTY FOR TAXATION

In Volume 104 A.L.R. at page 790, there is an annotated note dealing at length with the subject of original cost of construction or reproduction cost as proper factors in the valuation of real property.

It is generally held that construction and reproduction costs are proper criterions in determining present value when allowance is made for depreciation. Yet in none of the cases cited is it held that these are the sole factors to be taken into consideration. They are by no means the final tests of value. In applying these particular factors, the courts generally also take into consideration earnings, location and occupation of the property, changes in the cost of building materials, and extravagance in the original construction.

INCOME AS A FACTOR IN DETERMINING VALUE

This subject of income as a factor in determining value is covered by an annotated note in Volume 95 A.L.R. beginning on page 442. The general rule adduced by the annotator is that the income which the real estate is producing or may produce by suitable improvement or adjustment to its surroundings and conditions is an important, perhaps the most important, element in determining its value in ordinary cases.

In the note there are cited cases from the following jurisdictions: California, Connecticut, Delaware, Hawaii, Illinois, Iowa, Kentucky, Minnesota, Nebraska, Nevada, New Jersey, New York, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Canada. From these cases it appears to be well settled that ordinarily the income from or rental value of real estate is proper for consideration in fixing its valuation for the purposes of taxation. It seems further that the actual income may not be so important as the earning capacity of the property. While generally, the income-producing capacity, as distinguished from actual earnings, is to be regarded as a factor in valuation for taxation purposes, if the property is devoted to the use for which it is best adapted and is in a condition to produce, or is producing, its maximum income, actual rental is an important element in ascertaining its value.

Illustrative of the cases cited in this note are the following: *People ex rel McDonough vs. Chicago Union Lime Works Company,* 198 N. E. 1; 631 Ill. 304, which involved the assessment of an exhausted stone quarry used as a dump; it was held that the vital factor of value for taxation purposes of property used as a dump is the net earning capacity of such property when conducted by a person of ordinary business prudence and capacity; *Somers vs. City of Meriden,* 119 Conn. 5; 174 Atl. 184, wherein it was said by the Court that income-producing capacity, as distinguished from actual earnings, generally is a factor in determining taxable value of property, but that if property is devoted to a use for which it is best adapted and is in a condition to produce or is producing its maximum income, the actual rental received is important in ascertaining value.

A particularly valuable case, but one not cited in this annotation, is *State vs. Illinois Central Railway Company,* 27 Ill. 67. In this, it was urged by the state that the prospective value of the railroad should be taken into the estimate and not its income. The Court, on the other hand, held that such value was purely speculative, holding that if in future years it should develop that the property becomes more valuable, the taxes may be assessed accordingly in those years. The Court particularly emphasized the factor of income by saying: "No prudent purchaser of such property would neglect, in the first instance, to look at the income that the property yields so that he might thereby judge what profits he might in the future reasonably expect from his investment." This Illinois case is particularly interesting in view of the fact that it was decided in the year 1861. This shows that the factor of income is by no means of recent origin.

I now come to a consideration of the decisions of the Washington Supreme Court involving the question of income as being a determinative factor. I have already called attention to the fact that in

numerous of the cases wherein the Court was laying down a specific rule as to speculative valuation for the assessment of the use value, it did take into consideration the income produced by the property. There are at least three decisions dealing with this particular question. In *Northern Pacific Railway Co. vs. Pierce County,* 127 Wash. 369, the question was as to the valuation of certain lands known to contain quantities of coal. In reducing the assessed value, the Court said:

> "While we feel that the coal in these lands is entitled to be valued at something more than in lands more remote, yet, when we consider that it is impossible at this time and under the present conditions to successfully mine the coal, it seems to us impossible that it can have the very extensive values placed on it by the assessor."

In the next case, *In re: Jefferson County,* 153 Wash. 133, the Court approved the fact that the Tax Commission, in fixing the respective values of timber lands in the western and the eastern parts of Jefferson County, took into consideration the fact that the timber in the eastern part of the county was more economically logged, that there was greater accessibility and facilities for marketing, and that it was located closer to the centers of population and, therefore, was assessed at a higher value than the timber in the western part of the county. It seems to me, in analyzing this case, that the Court in effect was really considering the income to be produced from these respective stands of timber. All the elements taken into consideration would materially affect the income derived from the logging operations carried on.

With regard to the latest decision of the Washington Supreme Court on this question of assessed values, the Court, for the first time, not only actually spoke about income being a factor in determining value, but also reversed the act of the assessor because "it fairly appears that they did not take into consideration any other factors affecting its value, *such as the rental or income* which can be derived from the building." This is the case of *Bellingham Community Hotel Co. vs. Whatcom County,* decided on July 12, 1937, and reported in Volume 90, Wash. Dec. at page 547.

From the facts of the case, it appears that in ascertaining the full cash value of the building, the only factors considered by the assessor were the estimated cost of the reproduction of the building, less depreciation. As to this, the Court stated that the original cost of construction or the estimated cost of reproduction, less depreciation, may properly be considered, but only as an aid in arriving at the market value of the building. In valuing the building for taxation purposes, the property should have been considered with all of its burdens as well as its benefits. As authority for its decision, the Court quoted from the various Metropolitan Building Company cases hereinabove referred to.

In limiting this discussion to the points above outlined, I do not intend to imply that there are no other factors which have been approved by the courts in determining the value of real estate for taxation purposes. These are, however, the commonest of the rules used, and, by reason of the frequency in which they have been the subject of judicial inquiry, the courts have, as of this date, established them as factors which cannot be ignored in making appraisals of real property. The only conflict of judicial opinion is with respect to the relative importance of one over another.

History of Value Theory

By THURSTON HOWARD ROSS, M.A.I.

ANYTHING we want and which costs us some effort to get is valuable to us. Many indispensable things have no value because no one need expend any effort to obtain them. On the other hand, somethings which we could get along without may have a very high value. Then again there are things which take a great deal of effort to get, but, after we have them, they might have little or no value to anyone except ourselves, and sometimes even this is a fleeting value. Therefore, although we may say that anything we want and which costs us some effort to get is valuable to us at the time we expend the effort, at least it might not be valuable to anyone else. We get into a great many complications in thinking of this matter of value. Some of them have to do with the value which may be inherent in an object itself. Others have to do with values to individuals while others are important to society as a whole.

Air is indispensable but has no value because there is so much of it and because it can be obtained without the least bit of effort. Thousands of dollars are spent for things which we should hardly miss if we did not have them, and, in many cases, we might be as well off without them. However, we consider them to be very valuable because of the effort expended to get them. The most valuable diamond in the world is only a museum piece. It is not a thing of great beauty, but it is a thing of great value simply because of its great scarcity. It is the only one of its kind, and diamonds are very much in demand, not because they are particularly beautiful, but because they are very scarce. The scarcity does not have to be a natural one. It may be induced as is the scarcity for diamonds. If all the diamonds that could be easily obtained from the various diamond mines of the world were to be placed on the market, diamonds would be much commoner than they now are, and, because of the lack of scarcity, the price would be reduced. We could get along without diamonds, but we are generally willing to exert a great deal of effort and forego having some goods from which we might get a great deal more practical use.

We may expend considerable effort in acquiring a thing which may be of permanent value to us and yet not be of value to anyone else. A man may spend a year carving a ship in a bottle, and the result of his efforts may be so lacking in value that no one would pay anything for the ship. An oil company may expend a great deal of effort in trying to find oil, but, failing to get it, they have nothing of value to reward their efforts. A subdivider may offer lots in a poorly located subdivision after he has spent a great deal of time and money putting in improvements and developing an advertising campaign, and yet the subdivision may be without value. His efforts have been dissipated. On the other hand, by luck we may simply happen on to an idea or an object of great value. A novelist may have written a hundred books and still not get one printed, and then, by chance, one of the first pieces of work he may have turned out may be picked up by a publisher and become a best seller. The question of what makes things valuable is probably one of the oldest problems in economics, and, while whole schools or systems of economic thought have been set up around various theories of value, yet it is an unanswered question today and one where the thought of every man who is at all interested in the fundamentals of trade and industry should be directed.

The problem of value may be and certainly has been examined at great length from the standpoint of philosophy, ethics,

law, and economics. It does not have an exclusive position in any of these fields of thought but is a part of all of them. Perhaps it appears in its most practical aspects in economics, as applied in everyday business, but even here we are frequently divided in our approach. Some students consider only the actual facts available, which indicate that a value may be this or that quantity, while others go along another path and consider value and all of its social implications, using current facts and statistical data available on value as a basis for suggesting what value ought to be rather than what it is generally assumed to be in the business world.

EARLY ECONOMIC THOUGHT

The date of the beginning of value consideration is lost in history. Certainly it reaches back to the earliest Bible times. Joseph and his brethren had both the problem of "value in use" and "value in exchange" with which to deal. The ancient Greeks did not pay a great deal of attention to the concept of value, although Aristotle quite clearly understood the distinction between value in use and value in exchange. He understood that, although a sack of corn might have very little value in so far as your being able to use it was concerned, it was of value to you because you could exchange this sack of corn for a piece of cloth out of which you might make yourself a garment. Today, we are wrestling with a great many problems involving the distinction between "value in use" and "value in exchange." Aristotle based his idea of value primarily upon the *usefulness* of things. This was because exchange was not so common in his time as it is today.

The family was an independent and self-contained unit and had to depend comparatively little upon exchange to provide for its wants. The Greeks generally made some distinction between capital, wealth, and value; but, generally speaking, the distinction is not at all clear. Aristotle himself, however, had some very definite and fundamental ideas about the value of money. He held that value could be created by making useful things and that value in exchange was a measure of usefulness of the things which were traded in the market place and that this value should show no more profit to one trader than to another. Aristotle did not consider cost as a basis of value but rather assumed that commodities were exchanged in the market place because two traders had equal intensity of wants for the objects which they desired in the trade.

That is, if a sack of corn is offered by Trader "A" and a piece of cloth is offered by Trader "B," no matter what the corn cost Trader "A" in effort or in other goods and no matter what the cost of the cloth was to Trader "B," if these two men come to the point where an exchange takes place, it is because the man with the corn wants the cloth just as badly as the man with the cloth wants the corn. Aristotle, therefore, was one of the early proponents of the theory of *subjective* value. This theory holds that the value of an object is created and has a place only in the mind of man. The value of an object is what we estimate it to be in so far as it is of use to us. A chair may be useful to us as a place upon which to sit, or it may be useful to us to exchange for something else. Nevertheless, when on the theory of subjective value, we must consider the chair as being valuable only so far as we estimate the extent of its usefulness in our own minds.

In distinction to *subjective* value, we have *objective* value, which means that the value of a thing is tied up in the thing itself. For example, the value of a house, according to this theory of objective value, is its cost. The value of an automobile is dependent upon its cost and not upon anyone's opinion of usefulness except that, if the cost is so high that no one could afford to buy the car, its value would be infinitely greater, and that in

itself would be sufficient to keep it off the market. Most people today would agree substantially with Aristotle in that cost does not determine value but rather the degree of desire which a person has for a thing. However, we *have had* a great body of economists that subscribed to the theory that cost was the fundamental determinant of value.

The Romans were notable as jurists and examined the problem of value rather from a more legalistic point of view than had the more philosophic Greeks. Cicero spoke of value in terms of desire but probably was thinking more of price than of usefulness or utility. Diocletion spoke of a "just" price, but he based the determination of this "just" price upon the cost of production so that there is no indication that this "verum pretium" was anything more than a legal measuring stick. The Romans did a great deal of talking about value as they did about almost everything else, but, if they made any definite contributions to the theory of value or to economics generally, they were lost in the centuries which followed.

The Roman qualification of price, which, by the way, was not necessarily value, led to study during the Middle Ages on the part of church scholastics such as Thomas Aquinas, Albert Magnus, and others of lesser fame. Charlemagne fixed a "just" price on foodstuffs and provisions. Although very slight contributions were made to economic thinking so far as the theory of value is concerned in the Middle Ages, nevertheless there were a great many academic discussions of certain phases of value which furnished a basis for more scientific consideration of the subject in later times.

While the Romans took a legalistic view of value and economics generally, there seemed to be more of a tendency during the Middle Ages to take an ethical view of the value problem. However, these old scholastic thinkers were for the most part apologists and were more interested in making the newer doctrines of Christianity fit into the older philosophies of Greece than they were in discovering new truths about economics or anything else. For example, Thomas Aquinas, in his *Summa Theologica,* was not at all interested in the analysis of the current price practices of his time; nor did he give any particular consideration to the fundamentals of value, but he went to great length in attempting a scriptural justification of price and price practices as they prevailed in his time.

Despite many learned treatises on the subject, most of which were of an eclectic and primarily of a philosophical nature, all we can find in the Middle Ages is the general application of the theory of objective value. The cost of production and, primarily, the labor cost seemed to be the basis of price, and price was considered to be value. This price analysis was the foundation of "just" price, and, although it sufficed for the time, all of the attempted analyses of the period of the Middle Ages were of little practical value. There was comparatively little variation in the amount or type of labor which was involved in the production of the articles which were placed on the market at that time. When unusual skill was shown, the articles of that producer never reached the general market but found their way into the hands of feudal barons or monastic institutions or other branches of the church. When market activities are so stilted as they were in the Middle Ages, the problem of value is not particularly an important one.

Up to the end of the Middle Ages very little thought had been given to the value of land. Land was a gift of God. It was an evidence of the bounty of nature. It belonged to the church or to the state, and its ownership was seldom considered to be an individual right except in so far as its control was the result of conquest. Under such circumstances, the produce of the land likewise was under the control of the church or the state. If a man tilled a piece of land, he received wages for his

labor in kind; that is, he took a part of the crop which he had produced and usually such a small part that he obtained only a bare subsistence. However, at the end of the Middle Ages it became recognized that some land was more productive than other land, and perhaps we may date the beginning of the idea of rent or the return of surplus productivity of land from the close of this period in history.

It is a short step from the concept of rent of land to the concept of value of land. If one piece of land produces over and above labor and all other costs a surplus which may be considered as rent and a second piece produces just enough to pay the cost of production of the crop from the land, then the first piece is more valuable than the second piece. Perhaps we may date the beginning of the policy so prominent in national affairs today, a policy which we call economic imperialism, from the time when one baron fought against another primarily for the purpose of acquiring more productive land for his own vassals or for the purpose of bringing vassals located on more productive land under his own dominion.

MERCANTILISTS

Mercantilism, according to Alexander Gray, is economic state-making. The mercantilists were of the opinion that, in order to insure individual economic well-being, it was necessary only to build a strong economic state; that prosperity was not an individual matter but rather a national matter; and that the state should have a strong army for the purpose of controlling a great number of productive agencies, particularly productive land and means of transportation, so that it could get the benefits of controlling great volumes of goods, thus holding a domination in trade over all of its neighbors.

Mercantilism, then, may be thought of as a means toward a political end, namely, a strong state. However, the strength of the state was based upon its economic position primarily. Prior to the time of the mercantilists, the strength of the state had been thought of only in terms of military position, but from their time economic goods were given an equal standing if not a superior position to arms alone. The mercantilists were strong in England, Germany, and Holland. Most of them were connected directly with the government, and some of them were distinguished jurists; however, they lacked the unanimity of opinion on many matters which later became more or less characteristic of "schools" of economic thought.

Grotius, the Dutchman, and Pufendorf, a German jurist, apparently saw by implication, at least, the difference between "value in use" and "value in exchange." The mercantilists came very close to a clear analysis of subjective value when they considered desire as a factor of value. Land had no cost of production, yet it was valuable because people desired it. However, the mercantilists made most of their contributions in the field of value in their considerations of price or value in exchange. They were very much interested in competition and its effects on price. They had a rather complete understanding of the principle of supply and demand as it affected price, although some of them of a very practical mind, such as the Englishman, Sir William Petty, kept close to the cost of production theory of value.

In comparison with their predecessors, the mercantilists were rather prolific writers, and in their writings we can find the beginnings of almost every theory of value which is given consideration today. The German Kameralist, Justi, laid the foundation for a substantial amount of Adam Smith's classical doctrine. The mercantilists, had they been lesser statesmen, would have been greater economists. Had they considered the individual more and the state less in their analyses of markets and prices, they would have contributed far more to economic thought than they

did. As it was, they were bound by certain traditions in their thinking and frequently placed themselves out of perspective on economic problems, particularly in so far as individual enterprise was concerned.

The mercantilists firmly fixed in economic theory the concept of wealth. The accumulation of valuable things and, more particularly, the representative of that accumulation, namely money, became well established as important functions in economics. Although they thought of the state as an economic entity, nevertheless they did a great deal towards breaking down the scholastic and ascetic attitudes which were held in such high regard by the scholastics of the Middle Ages. They were not nearly as interested in sin and righteousness as they were in profit and loss.

They brought the merchant into the religious fold. Prior to their time a merchant could not be thought of as a godly man because he not only produced nothing but took away in profit and in interest that which someone else produced. Mercantilists, however, took the sin out of profit because profit contributed to the growth of the state and, incidentally, to the development of the individual. In setting up this unified economic state held together by political cement, the mercantilists struck a severe blow at the very vitals of medieval social organization. Wealth could not be accumulated in a system which exalted the idea of self-abnegation and self-denial. These things which had been considered virtuous and exemplary a few years before were struck down by the iconoclastic mercantilists who substituted for them ideals of accumulation of wealth and individual initiative. Wealth was the secret of strength of any state, and, in order that the state might acquire this wealth through taxation, tariffs, and otherwise, the highest order and society of that state had to be producers of wealth and exchangers of wealth, or merchants.

One of the principal means of producing wealth in that day was by tilling the land; therefore, the land resources of mercantilist nations were rapidly and substantially developed through this mercantilist period, which began at the close of the Middle Ages and lasted beyond the middle of the eighteenth century. However, the mercantilists did not hold producers on the land in nearly such high regard as producers in industry. Those who produced in industry provided a product for foreign trade while many of the producers on the land fed only the people at home, and, inasmuch as a nation could not make a profit off of itself, agriculturists did not form as important a place as they did in some other periods in economic thought.

Mercantilists were responsible for encouraging shipping, for the creation of privileged trading companies, some of which established the beginnings of trade in this country. The fixing of prices and wages, the issue of patents and monopolies, and the introduction of new developments in industry were brought about by the mercantilists.

PHYSIOCRATS

"About the middle of the eighteenth century—"; this phrase immediately recalls to the student of economics one of the best known of economic sects that ever existed. This was the physiocrats, who, although they were not formally organized as economists but were rather loosely banded together as a school of philosophy, made great advances in their contribution to economic theory. They made a great deal over the bounty of nature (the net product), and some of them dealt in a kind of economic metaphysics while the mercantilists had built up most of their economic doctrine on the theory of increasing trade and thereby increasing the wealth of the nation and the wealth of the individual. The physiocrats took exactly the opposite viewpoint. They said that the productivity of the land was fundamental—only land re-

turned something in excess of the cost of production. They made it clear that the productivity of the land was quite different from that of the other agents of production.

The fact that they recognized that land returned something in excess of cost of production enabled them to be credited with laying the foundation of the classical statements of economic rent. They were not careful to distinguish between price and value; in fact they avoided such a distinction. Wealth they thought of as valuable in exchange. Value to them was merely a ratio of exchange which was largely determined by supply and demand. Quesnay, Mirabeau, and Turgot were best known of this French group which we classify as physiocrats. These physiocrats were in many respects economic moralists. They were more interested in their *right* to do things than they were in *measuring values* and were more absorbed in the analysis and philosophical discussion of these rights than they were in the political maneuvering of one state against another in order to gain strength in trade.

However, they did manage to stimulate the sanctity of the right to own private property provided it was obtained upon the basis of labor, and they made it mandatory that the state should guarantee the right of its people in the freedom of contract. The value of any object, according to them, was its value of original material plus the cost of maintenance of the worker during the time that he produced it. The product of an artisan was worth the expense of maintaining this workman while he produced. His maintenance came, theoretically, entirely from the land so that every artisan and every trader formed a burden on the land, and their products were valuable only in so far as they absorbed this surplus productivity of the land. Money was considered sterile riches, the only use of which consisted in its employment in effecting purchases and sales.

However, these physiocrats, particularly Turgot, were firm and uncompromising in the advocacy of a *laissez faire* doctrine. They held in high regard the attitude of self-interest. Like the mercantilists, the physiocrats contributed a great deal to Adam Smith and the classical economists. They were right in emphasizing the importance of agriculture in the welfare of a nation and in contributing to the nation's welfare, but they were shortsighted and wrong in minimizing the wealth contributing functions of industry and trade.

THE FOUNDERS

Adam Smith, the Scotchman, and his teacher, Frances Hutchenson, and J. B. Day, the Frenchman, were largely responsible for organizing political economy into that body of knowledge which has grown today into the general field of economics. From the middle to the latter part of the eighteenth century an increasing amount of thought had been given to the philosophy underlying practices and trade in industry. The best known of all economic writers is Adam Smith who, in 1776, published what has become known generally as the economists' Bible, *Wealth of Nations*. Smith did not make a great contribution of his own in so far as economic thinking was concerned. He may be thought of more particularly as an eclectic who assembled and commented upon the theories of many who had gone before him. He may perhaps be pardoned for failing to give due credit to many earlier thinkers from whom he borrowed some of his theories.

However, when Smith wrote *Wealth of Nations*, he probably did not pay much attention to the development of a scientific treatise on the subject but rather felt satisfied with writing what he considered a general descriptive survey of the field of economics as it was apparent to him in his time. Adam Smith did not write as, or pretend to be, a great scholar founding a new science. Perhaps no one was as astonished as he at the general acceptance of his book even shortly after

he had written it. *Wealth of Nations* is not the result of long research in library material but rather the record of impressions of a learned man on matters in which he had an immediate interest and a vital concern.

Smith seemed to be interested alone in exchange value or the purchasing power of goods. When one trades a sack of wool for a sack of corn, the man who owns the wool uses it for purchasing power to get corn, and the man who owns the sack of corn uses it for purchasing power to get wool. What each of these two individuals had to do with their purchases or what their mental attitudes were towards them was of little or no interest to Smith. After the exchange was completed, Smith was through with them; and before it was effected he had no interest in them. Therefore, we may think of Adam Smith's concept of value as being entirely objective, and, more than that, it may be assumed to be exclusively a cost of production theory. But it is more refined than any cost of production theory which had gained general acceptance up to Smith's time. Before Adam Smith, labor was considered the primary and, in most cases, the exclusive cost of production. Smith introduced the concept of capital; and the cost of use of capital is a very important function in Smith's idea of value even though he was so greatly influenced by the labor theory of value that he considered the contribution of labor to value more extensively than anything else in his entire writings on the subject of value.

Smith asserted that the cost of production of an article was its "natural price." All things seem to approach this "natural price"; but the natural price may not be the trading price. Smith recognized that "market price" is established upon the basis of supply and demand. After establishing the importance of capital in production, Smith reverted to a labor theory of value which, in his opinion, was the real measure of exchangeable value of all commodities. Smith stated: "The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labor which it enables him to purchase or command. Labor, therefore, is the real measure of the exchangeable value of all commodities." It is observed that Smith limited his statement of value to things in the hands of persons who do not mean to consume them but who wish to exchange them. Smith attempted to put all types of labor into one category. He had to if he were to use it as a common factor in the measurement of value. Alexander Gray, the economic historian, made this clear when he observed that "presumably he (Smith) means that an aching back to Adam after his expulsion from the Garden of Eden is equivalent to the aching of a back of a navvy taking up Regent Street."

Smith went on to say " . . . labor, therefore, it appears evidently, is the only universal, as well as the only accurate measure of value, or the only standard by which we can compare the values of different commodities, at all times, and at all places." Smith then involved himself into a great many difficulties because no reasonable man would assume that an hour's labor in any period of history or delivered by any type of workman must essentially have anything in common with another hour of labor delivered at another time and by another person of a different skill.

Smith is ambiguous in many of his expressions and not clear in much of his doctrine. He recognized profit and had a number of views on rent which, incidentally, he considered as a mere extortion of the landlord, but which theories he did not logically bring to a conclusion. Adam Smith based his value and his whole economic system upon the operation of land, labor, and capital, the returns of which are rent, wages, and interest. He thought of the natural price as an ideal and the market price as the result of

operation of supply and demand; but because of competition the market price tends to approach this natural price, although in certain exceptional cases the market price for a long period of time stands above the natural price. This is the result of "secrets in manufactures" and artificial and natural monopolies, such as in the case of wines requiring a particular soil or situation. All this, when analyzed, seems to indicate that for Smith values never changed, at least, natural values never changed because, inasmuch as labor was of a consistent value at all times and under all conditions was the measure of price and of value, an object could have only a varying value in respect to its variation of labor requirement, but inasmuch as labor soon reached its maximum productivity under Smith's system and then maintained this maximum, prices would not remain unchanged over long periods of time.

Smith, although an opposite type, did a great deal of thinking for Karl Marx, the great socialist, who came three-quarters of a century later. Smith recognized that the rate of wages was affected by supply and demand and that although natural price might indicate one level, the bargaining power of the laborer and the employer would force them to another. He recognized that the strength of the bargaining power was on the employer's side and thus was credited with formulating the iron law of wages, which states, generally, that wages tend to approach the point of subsistence for the workman and his family and that, although wages cannot go below this point, all forces tend to press them to this level. There is just so much money to be paid out for wages. This marks the maximum that the wage earner can get, but he has a poor chance of bargaining for his whole fund, much of which is appropriated by the employer.

RICARDO

The writings of Adam Smith would be significant if they had had no other merit than stimulating thought on economic matters. In the half century following the publication of the *Wealth of Nations*, a group of thinkers, who are frequently referred to as the classical school, gave a great deal of organized thought to the subject of economics generally and to the theory of value in particular.

Most important of this group of thinkers was David Ricardo, the English Jew, who made a great place for himself in economic theory by stating his doctrine of economic rent of land. From the time of the mercantilists on through the period of the classicists, the importance of land as a productive factor in economic society was recognized as being more and more significant. By the time Ricardo came on the scene the old scholastic and physiocratic doctrines of land being a gift of God and more or less beyond the realm of human speculation in so far as its economic attributes were concerned had for the most part disappeared. Taking its place was a very cold-blooded and practical view of land as part of the national wealth and its products contributed to individual capital. There were many difficulties, however, in the way of measurement of value of land, many of these being more particularly connected with the legal questions involved as to the right of ownership by private individuals of the land.

Before Ricardo, some of the old mercantilists had suggested methods of land valuation upon the basis of the number of years' produce of the land; that is, a piece of land might be worth, according to one theory, what it would produce in six years, nine years, twelve years, or fifteen years. Such a theory of value did not take into consideration the cost of productivity during those years but attributed the entire product to the land itself. One piece of land might yield a good crop with very little effort while another piece of ground might need a great deal of labor in order to have it produce a crop. In either case,

the value of that land, according to some of the older writers on the subject, was measured by taking the value of so many years' produce in the aggregate and calling that the value of the land.

Ricardo, in his analysis of the land problem, carefully distinguished between the different types of land. He thought first of marginal land, namely, that which would produce just enough goods to pay the wages of labor and the cost of the use of capital employed in bringing the land to its most productive point. Some land was submarginal; that is, it would not pay the wages of labor and interest on capital. Other land gave something in addition to the wages of labor and the cost of employment of capital. This additional increment Ricardo identified as rent.

From this statement of rent it is a short step to valuation theories today where we consider and capitalize excess productivity of land in our cities as well as agricultural lands in order to give us some indication of their value in the market.

Ricardo followed Smith in separating the theory of value into two separate categories. Like Smith, he was concerned with value in use and value in exchange. He recognized that value in exchange may arise from scarcity or from the amount of labor which it takes to produce valuable goods. It is to be observed that it is not necessarily the amount of labor for which these goods will be exchanged. In this respect Ricardo deviated somewhat from Smith's idea of value. Ricardo, although contributing a very practical theory of rent, was somewhat visionary in his examination of the market. He always thought of economic society and its problems as existing in a state of perfect competition and that because of the fact that competition was perfect, wages in all trades must be alike. The amount of labor, however, necessary to produce one product might be very much different from the amount of labor necessary to produce another. This was Ricardo's great variable and led him to the statement that the quantity, not the price nor cost of labor, is the basis of all value.

Ricardo wrote of capital as stored-up labor. That is, the value of a desk was determined by the amount of labor that was stored up in it by the man who cut down the tree, who sawed the timber into boards, the cabinetmaker who fitted them together, and the painter who varnished the desk. A machine was thought of in the same way, and, therefore, its productivity was the result entirely of labor, one portion of which was stored up (capital) while the other part was current labor paid for as wages.

This theory has been criticized a great deal, and even Ricardo indicated that he had many doubts on the question. He met his principal difficulty in defense of this theory as well as in expanding it because of his former assumption that under free competition all labor comes at an equal wage. The longer capital is stored up, the more costly it becomes provided it is not stored in some form in which it is useful and in a form for which people are willing to pay. If labor represents directly or indirectly all income, either the storage time must be paid for as a labor cost, which would make units (not amounts) of labor come at varying rates, or one must admit that there is some legitimate economic income over and above the wages of labor.

No matter how Ricardo's theory of value may be criticized, the theory of rent was a notable contribution to economics. He specifically defined rent as being "that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil." If Ricardo had made no other contribution to economics, this particular statement would have given him a place among the great economic thinkers in so far as the theory of value is concerned.

Ricardo was a poor writer, and it is difficult to find out today precisely what

he meant by many of his statements. He lumped interest and profits as one. His theory of capital is difficult to analyze, particularly as it concerns labor. Ricardo was a practical businessman. He was an unliterary Jewish stockbroker who lacked the skill to express himself clearly in his writings and who assumed that his readers would be able to follow him through a maze of the most hypothetical assumptions with as much ease as he was able to get himself into them. Unfortunately, he was never able to get himself out, and, although we cannot deny him a place among his most learned brethren who were the economists of one of the most interesting periods in the history of the world's commerce and industry, nevertheless we cannot afford to take Ricardo too seriously on matters of economic theory in general. He lacked perspective and, like many practical men who have made their own way in the world, was inclined to set down passing opinions which he had as more or less fundamental economic propositions. Ricardo gave a great deal of strength to the foundation of the Socialist theory and made a substantial contribution to the Marxian wage doctrine.

MALTHUS

Thomas Malthus was an English clergyman who lived a few years before Ricardo and who is noteworthy primarily for one thing — his statements with respect to population. These celebrated propositions have been compressed by Alexander Gray, as follows:

A. Population is necessarily limited by the means of subsistence.
B. Population invariably increases where the means of subsistence increase, unless prevented by some powerful and obvious check.
C. These checks and the checks which repress the superior power of population and keep its effects on a level with the means of subsistence are all resolvable into moral restraint, vice, and misery.

Malthus has been called an economic pessimist and perhaps he deserves the title of the greatest of all economic pessimists. The world looked very, very bad to him, and economic society was on the road to ruin. Perhaps he would have been better off if it had not been for the fact that he assumed that population tended to increase in geometric ratio, that is: 1—2—4—8—16—32—etc., while the food supply increased in arithmetic ratio, namely: 1—2—3—4—5—6—etc. It has always been very difficult to place economics upon a mathematical basis and remain on defensible territory.

Malthus anticipated Ricardo's theory of rent. Although he was influenced more by the supply and demand factor in the determination of rent than was Ricardo, yet he clearly understood the marginal factor which was the datum line for all the Ricardian rent doctrine.

VON THÜNEN

Johann Heinrich von Thünen should be very much better known to all those interested in land economics, but his book, *Der Isolierte Staat (The Isolated State)*, which originally appeared in 1846, was translated only recently into English. Von Thünen was a practical businessman, as was Ricardo, but instead of being a stockbroker interested primarily in values on the market, he was a farmer and gave most of his time to the analysis of problems involving the productivity of land.

His principal contribution to value theory was that he took more of a cost accountant's viewpoint in determining land value than did any of his predecessors. He was interested in the effect of location of land upon its value. His assumptions were somewhat curious, but, nevertheless, his conclusions were well drawn, and the book is well worth reading today because the method which he applied to agricultural land is altogether useful in the approach to the theory of value of urban land. He closely distinguished between the contribution made by capital as distinct from the contribution of the land itself, a matter on which Ricardo was not at all clear. Furthermore, von Thünen

approached the matter of taxes in a very practical manner and made a clear analysis of diminishing returns. Another matter that makes von Thünen's work interesting is the rather elaborate display of mathematical formulas which he used. He had a wage theory which is represented by what he assumed to be a true formula. All wages, according to von Thünen, should be figured by taking the square root of the worker's cost of subsistence times his productivity. Perhaps in former years von Thünen was better known because of this formula, which he considered his own crowning achievement, but today and in future years he has a more important position as one of the early land economists.

BASTIAT

About the same time that von Thünen was doing his writing, the Frenchman Bastiat was developing a rather interesting and unique theory on land value. He said that the whole value of land was in the improvements and that land had no value other than that which was expended for clearing, building, and general improvement and development which take place in the vicinity of land. Furthermore, he said that the landlord should receive payment only for the services of these improvements which were, in fact, contributions of labor, the worth of which should be calculated upon a present value basis. Another interesting observation of Bastiat was that land was not immune from the general law of depreciation, a theory which is gaining ground today after almost a century of discredit.

Bastiat was primarily a journalist, and we are sometimes doubtful whether his book, *The Economic Harmonies,* represents the result of genuine economic ratiocination or whether it is simply a clever newspaperman's more or less argumentative dissertation on issues of the time.

CAREY

One of the first American economists of note was Henry C. Carey, who lived through the middle of the last century. His theory was that the sole cause for value was the expenditure of labor on land. Carey looked at value quite objectively and might be thought of as our American founder of the cost of reproduction depreciated theory. Carey identified land as capital and stated that "capital invested in land differs in no respect from that invested in other machinery" and that "rent is only interested for capital invested."

Carey was essentially a progressive and an optimist. He believed that society was continually improving, that the standards of living were continually rising, and that the world was continually getting better. He severely criticized Ricardo who asserted that at the beginning of cultivation the best soils alone were cultivated. Carey, who lived in a country with what, in his time, seemed to be an unlimited frontier, insisted that in the beginning the inferior soil was first cultivated because it was less grown up with vegetation and therefore more manageable in the early stages. Only when land can be cleared of vegetation do we get into its highest productivity.

Carey was a pure capitalist who had little patience for the pessimistic forecasts of Malthus. He believed that there was almost an infinite extent to the productivity of the soil owing to the fact that increased amounts of capital on the soil paid increasing dividends of production. Although Carey did not expressly analyze city lands, there is a general implication in his work that the same rules applied to urban land values as to agricultural land.

MILL

John Stuart Mill was a combination political scientist, philosopher, mathematician, and essayist who lived in the first half of the last century and probably added less to economic theory and value theory, in particular, than any other "great."

His *Principles of Political Economy* is an excellent statement of classical eco-

nomic doctrine. However, no matter how Mill may rank as an economist, he deserves a high place as a social philosopher, particularly in view of his theory of the unearned increment of land which he proposed (many years before Henry George) to tax out of existence.

Mill proposed that the government should make a periodic valuation of all lands, urban and agricultural, and that the government should take over the increase of value which would be represented as rent. Peculiarly enough, Mill assumed that there would always be an increase of value. Certainly he did not anticipate a decrease because he did not provide that the government should pay indemnity to any landlord who was not able to make his land pay. Mill did not advocate the taking over of land improvements, but by his theory, namely, that of taking all of the increased value of the land from one period to another as rent, and because this value would be determined upon the basis of land absolutely unimproved, all land would automatically be confiscated by the government because all of the income essentially derived from the land would be eaten up by tax.

Mill's *Principles of Political Economy* was long used as a textbook in England and in this country and is still held in high regard in some schools. However, for the most part, Mill's approach to economic problems is that of a social philosopher rather than that of a practical man, and the solutions which he suggested for many problems would certainly not be appropriate in our present society.

KARL MARX

Karl Marx, like many of his socialist contemporaries, was a Jew of considerable misdirected mental capacity. His economics, if he ever had any, was so saturated with cynicism and moral and intellectual agnosticism that it is difficult to separate and analyze.

Marx was a typical product of his time and position in life—a man of tremendous intellectual strength but with even stronger prejudices. His materialistic interpretation of history and writings on the class struggle are more or less important; his labor theory of value was a rehash of long-standing doctrines.

Value, to Marx, was "a mere congelation of homogeneous human labor." Yet we hear of his "labor theory of value" largely because he was an agitator and, to many, a crusader; had he not been a political exile who spent most of his time reading old books in the British Museum; had he not suffered many hardships and privations; had he not grown such an imposing beard and looked so much like a prophet; and had he not written so many pamphlets which the learned men of his time considered too insignificant and prejudiced to read but which even the most illiterate soapbox orators could use to advocate social revolution although they themselves had no idea what they meant; if all this combination of circumstances had not taken place just when and where it did, Karl Marx and the labor theory of value would probably have been forgotten today. But Marx was the occasion, not the cause, for incorporating the social implications of value into economic doctrine.

Probably Marx should be thought of more as the innocent bystander who happened to be standing on the corner when the parade turned down another street. We may mark the turning of value theory from a speculative individualistic and primarily materialistic study to a theory of value involving human interests and social welfare which demanded some action; a value theory applied to human beings and not to the hypothetical economic man; a theory which would be recognized as valid by businessmen as well as academicians; all these things were in the parade which turned the corner as Marx was standing there. He probably applauded, but he did not turn the tide himself.

THE AUSTRIAN SCHOOL

Long before Marx, or even the physiocrats, there were writers on economic subjects who stressed utility and supply and demand. But probably none of these early writers dreamed that utility and supply and demand ever would influence economics as they did in the last half and particularly in the last quarter of the nineteenth century. Gossen, W. S. Jevons, Karl Meyer, Böhm-Bawerk, and von Wieser were the leaders of a group which is known as the Marginalist school. It was in this school, supplemented by John Bates Clark's "bundle of attributes" or "bundle of utilities" concept, that subjective value reached its finest development.

Price received a great deal of attention from the Austrians and these followers, who, by the way, included far more scholars of other nationalities than Austrians. Utility is the keystone of their value theory. "Normal value" is that which is established under conditions of balanced supply and demand. Marginal utility is the measure of price and is established at that point where the seller would not part with his product for one cent less and the buyer would not pay one cent more. Thus, we find a producer's surplus and a consumer's surplus in most deals; that is, the buyer might be influenced to pay more than is asked for a product or a producer operating under favorable conditions might be willing to sell for less than "market price." However, inasmuch as the "marginal" buyer and the "marginal" seller set prices, a surplus is enjoyed by both parties in most transactions.

LATER SCHOOLS

There have been other notable contributors to the theory of value. For example, Dr. B. M. Anderson, now economist for the Chase National Bank, has propounded a theory of social value. Hobson, the English economist, has interpreted value in terms of human welfare, and so on. The problem of value is most perplexing, and many contributions to economic theory will no doubt be made before any great unanimity of opinion will exist with respect to this foundation concept in economics.

Today, we are in a period when social factors are having more and more influence on the theory of value. We are not so much interested in value in exchange or value in use in so far as an individual is concerned but rather in the value of these things to an individual who is simply a part of society. We are looking upon value as it affects a social organism rather than the social organization. The distinction between an organism and an organization is that any part of an organization can be moved or cut off without materially affecting the operation of the whole. On the other hand, a most remote part of an organism may be injured and this injury will have far-reaching effects throughout the entire organism. Today we regard society in this latter sense.

The good of the individual is the good of society, and one cannot damage an individual without damaging society as a whole. To some, this is a socialistic viewpoint, but to others it is the approach to the essence of individualism. Where values and all economic factors involving social relationship are measured in such a way, the individual, because of having more things of value and better appreciation of values as they are made available to him, will be able to contribute more to and better enjoy the wealth of the nation.

Techniques of Residential Location Rating

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IN the selection of residential mortgage loans for investment portfolios, it is desirable to analyze a variety of risk factors to determine the quality of each mortgage selected. A measurement of the degree of risk involved in each mortgage is an index of its investment quality. The determination of mortgage risk involves (1) an analysis of the actual property offered as collateral security, (2) the degree of conformity existing between the property and its immediate surroundings, (3) a rating of the location both with respect to its immediate neighborhood and the broad general area surrounding the immediate neighborhood, (4) the value of the property, (5) the credit and earning capacity of the mortgagor, and, finally, (6) the analysis of the pattern of the mortgage loan.

Of these risk elements, the degree of mortgage risk attributable to a property's location at a specific site is of primary significance. This is number (3) above. Location rating is not only a determinant of the over-all degree of risk but also bears a direct influence upon the future value pattern of the property under consideration. Techniques of residential location rating involve studies of the economic backgrounds of cities, studies of city growth phenomena, neighborhood analyses, and the analyses of specific locations.

THE F. H. A. LOCATION RATING GRID

The rating of locations is a part of the general risk rating procedure and is intended to show the relative quality of different mortgages in so far as the differences in quality result from differences in the characteristics of the locations and environments of properties. Location rating techniques have been developed to a high order in connection with the analyses of mortgage loans submitted to the Federal Housing Administration for insurance. The methods are outlined in detail in the *Underwriting Manual*[1] of the Administration and relate to residential properties.

The mechanical aspect of the rating is accomplished by the use of a grid, such as that reproduced on page 134. A rating is given to each of the eight features listed at the left-hand side of the grid by placing an "X" mark opposite it. The highest ratings are indicated by "X" marks in the column headed "5". Lower ratings are entered in the other columns. If conditions relating to any one feature are so unsatisfactory as to make acceptance of the mortgage loan unwise, the "X" mark is placed in the column headed "Reject."

When each of the eight features has been rated, the weighting appearing in the "X" marked square is entered in the right-hand column and the sum of the points is found. This is the rating of location. The total rating of location is thus indicated on a scale of 100 possible points. If locations rate less than fifty points, even though there is no reject rating, the location is considered substandard and unacceptable for mortgage loan purposes. In other words, the combination of a number of weak or relatively risky factors renders a location unacceptable, even though no single factor is sufficiently substandard to justify unacceptability by itself.

The weights used in the first feature, namely, relative economic stability, differ from community to community depending upon the general economic background of the area as a place in which to make residential loans.

[1] The *Underwriting Manual* of the Federal Housing Administration, revised February, 1938, is for sale by the Superintendent of Documents, Washington, D. C. Price $0.30.

Rating of Location

FEATURE	REJECT	1	2	3	4	5	RATING
Relative Economic Stability							
Protection from Adverse Influences		4	8	12	16	20	
Freedom from Special Hazards		1	2	3	4	5	
Adequacy of Civic, Social, and Commercial Centers		1	2	3	4	5	
Adequacy of Transportation		2	4	6	8	10	
Sufficiency of Utilities and Conveniences		1	2	3	4	5	
Level of Taxes and Special Assessments		1	2	3	4	5	
Appeal		2	4	6	8	10	
TOTAL RATING OF LOCATION							

CITY GROWTH AND NEIGHBORHOOD DEVELOPMENT

Some of the underlying principles of city growth and neighborhood development and a brief outline of considerations which enter into the making of the feature ratings are described below.

Neighborhoods experience a change in quality directly related to the changing types of persons coming successively into occupancy. These transitions are noteworthy indices of trends and are more pronounced by their inevitableness than by current evidences of their gradual operation. Every change of occupancy in a neighborhood tends to increase, stabilize, or decrease the desirability of the area. The cumulative effect is reflected in the actions of the market and influences the growth pattern of a city.

Neighborhoods tend to decline in investment quality. The exception to this observation is partially developed new neighborhoods. If such areas are well planned, favorably situated, adequately protected, and properly priced, they often improve for a period.

City growth is directional. The directions which it takes arise from favorable market attitudes toward selected areas. New residential districts are the product of city expansion, and, if they enjoy a favorable position in relation to the general direction of city growth, they will possess a higher degree of appeal to the market. If they do not enjoy this favorable geographic position, they are apt to remain sparsely developed or experience sporadic development over a long period before becoming substantially built-up. The latter conditions tend to accelerate adverse influences which produce neighborhood instability.

If subdivision operations are controlled and orderly and are prudent and properly priced, stable neighborhoods usually result. Land speculation, overdevelopment, or overpriced operations contribute alarmingly to neighborhood instability. New residential areas are frequently subjected to speculative activities.

As the degree of appeal for owner-occupancy declines, some districts become rental areas. Others experience a gradual transition to higher uses. When transition to a higher use begins, only a few of the sites change in use, while the remainder become much less attractive for the formerly established residential purposes. This effect of the competition of uses tends to hasten the decline of the neighborhood.

The degree of mortgage risk is influ-

enced by the extent of neighborhood development. Good planning and harmonious surroundings tend to create continuing desirability. A built-up, homogeneous area that has established its character may be expected to have a high degree of stability. In the vacant, poorly situated area or in the sparsely settled district, changes may be frequent and land utilization programs may be at variance with existing and acceptable uses. In these areas, mortgage risk is greater, and value levels are correspondingly lower. As families rise above the economic and social status of their neighbors, the desire to move to better, more attractive areas is clearly observable.

While newer residential districts are developing, older districts deteriorate. There is the inevitable process of infiltration of lower racial and social groups in the latter areas. In these sections, the presence of older, obsolete dwellings tends to accelerate the rate of transition to lower class occupancy.

Cities vary in economic opportunity. Some are classified as industrial centers, others as commercial and trading centers, and others as specialty cities, such as political capitals or educational centers. The trend of employment, the diversification of employment opportunities, and the cylical fluctuations that are likely to occur in numbers of employed persons are important components in the analyses of economic trends of cities.

The underlying economic factors that directly affect the levels of real property values reflect themselves in population statistics, in data relating to employment opportunities and trends, and in data pertaining to the legislative policies of the community. Wages support property value levels. If the opportunities for employment are diversified and numerous and if wage amounts are correspondingly adequate and constant, we may expect to find a reasonably stable community.

The economic forces which affect the values of residential properties are significant factors in residential location rating. These factors affect the broad metropolitan area of the entire community and its total population. Residential neighborhoods within such an area will reflect the general income and employment advantages in varying degrees. Even in the most stable economic background areas there are some neighborhoods which derive little benefit from their location in such areas.

ECONOMIC STABILITY OF NEIGHBORHOODS

A fundamental consideration in location rating is an expression of the relative degree of economic stability attributable to the immediate neighborhood. This analysis embraces an opinion as to the probable continuing degree of marketability of the property, attributable to its site, *as affected by* the financial capacities and financial attitudes of owners, occupants, and prospective purchasers. This estimate must necessarily be related to similar estimates of all residential properties in the economic background area, regardless of competitive characteristics. The significant factors are the stability of family incomes, the sufficiency of family incomes, the social characteristics of neighborhood occupants, the stage and trend of neighborhood development, and the probabilities of forced sales and foreclosures.

The prediction as to the continuing stability and sufficiency of family incomes relates largely to an expression as to the continuity of employment, adequacy of wage levels, maintenance of living standards, and the other economic factors that identify the nature of the income characteristics of the occupant group at a specific location. The income characteristics of the occupant group must be such as to indicate the probable successful retirement of mortgage indebtedness and the maintenance of property investment to insure neighborhood stability.

In addition to income characteristics, the social characteristics of neighborhood occupants must be determined. Social

characteristics refer to the habits, attributes, abilities, moral qualities, and social, educational, and cultural backgrounds of the people residing in a district. Sociological factors forecast economic trends. For this reason, as an index to relative economic stability, social characteristics assume an important role in accurate location analyses.

The stage and trend of neighborhood development and the probable future foreclosure experience concern market factors that vitally affect value levels. The demand for homes both for rent and for sale is a market indication of the probable pattern of values. Overpriced homes, coupled with the tendency to overbuy or the proclivity toward generally high loan-value ratios, impair relative economic stability. There is greater risk in areas where demand for housing is thinning out or where properties are heavily encumbered.

In rating all except the first feature in the category of risk attributable to location, it becomes necessary to devise a method of neighborhood classification in order to determine the relative risk of properties within their respective competitive groups.

If it were possible to predict reasonably the relative degree of continuing marketability of each size and type of residential property within each of the many price ranges in any community, location ratings could then be determined by comparing the risk characteristics of a location with other locations in the same size, type, and price classification.

The theoretical advantages and apparent accuracy of such a method are entirely superficial. In addition to a determination of competitive price ranges, this method would involve a prediction of the future trends of the market attitudes toward each of the many sizes and types of residential accommodations. The accuracy of such a prediction would parallel one's ability to predetermine the course of the ever-changing social-economic structure of the community.

The respective degrees of probable continuing marketability in such a precise classification of competing properties is clearly beyond the scope of reasonable determination.

Limiting the classification to size and type of properties complicates rather than simplifies the problem inasmuch as an infinite number of types would be required to offset the loss of a price classification in the determination of competitive properties.

Because similar risks are not reflected by similar characteristics in noncompetitive properties, we cannot ignore the responsibility of arriving at an applicable method of classification which will permit the measurement of the relative degree of risk within competitive groups. In such a classification, similar characteristics reflect similar risks; therefore, relative risk attributable to location can be established adequately by determinable location characteristics.

With the minor exception of certain racial characteristics which render properties actually noncompetitive, residential accommodations within a metropolitan area are competitive when they may be acquired by families of similar income characteristics. Hence, a classification of competitive properties based upon the income characteristics of families comprising the broad market for such properties not only fulfills our requirement but is practicable in application. Even so, it is desirable to further simplify the application of this principle by the translation of family income characteristics into correspondingly appropriate price ranges of properties. The competitive characteristics of properties may be determined upon the latter basis with greater facility and equal accuracy.

After a proper classification of neighborhoods by price range groups has been established, the relative risk of a location in one of these groups may be substantially determined by the specific considerations set forth in the following.

ADVERSE INFLUENCES

All neighborhoods, to remain desirable for long periods for residential use, require means of adequate protection from adverse influences. Protection in the form of reasonable municipal zoning or deed restrictions is fortunately a condition common to most cities and all newer districts. After a proper classification of locations by appropriate price ranges, the degree of protection accruing to a residential location may be measured satisfactorily by determining the relative protection offered the subject location as compared with other locations in the same price group. Competitive advantages and disadvantages are weighed, dealing principally with the requirements of the market in this price range. The principal considerations are these: zoning, deed restrictions, natural physical protection, extent of surrounding homogeneous area, quality of neighborhood development, and presence or absence of nuisances. Ratings of location will be impaired where protection from adverse influences is inadequate to the extent that it is likely that lower racial and social groups will be attracted to the area. If a neighborhood is to remain stable, it is necessary that properties shall continue to be occupied by the same racial and social classes. Changes in social or racial occupancy contribute to neighborhood instability and the decline of value levels.

Statutory protection by means of well-drawn zoning ordinances and effective deed restrictions and physical protection offered by natural or artificial barriers such as parkways, parks, and contours are effective means of protection from adverse influences. Likewise, if a location is protected by an extensive surrounding homogeneous development of good quality, the market reacts favorably to these conditions.

Nuisances must be weighed in the light of their effect upon the marketability of properties in locations subjected to their influence. If the present and prospective market is tolerant of such conditions, their effect is of little importance. However, where the presence of nuisances tends to accelerate the rate of transition to lower racial or social occupancy, proper recognition of these conditions is obligatory.

FREEDOM FROM SPECIAL HAZARDS

Locations should enjoy reasonable freedom from special hazards in order to warrant favorable consideration in long-term mortgage analysis. Special hazards refer specifically to those conditions, peculiar to a specific area, which may endanger the personal health, welfare, or comfort of a neighborhood occupant group. If competing locations are free from such adverse conditions, the market will be found to regard these locations more favorably. These are deciding elements in location rating. Special hazards involve topographical conditions, subsidence, climatic peculiarities, earthquakes, tornadoes, hurricanes, floods, heavy traffic, fire and explosion dangers, and hazards to health.

ADEQUACY OF CIVIC, SOCIAL, AND COMMERCIAL CENTERS

For a neighborhood to remain stable and retain desirability to the income group which constitutes its present or prospective market, it must be adequately served by civic, social, and commercial centers, transportation facilities, and required utilities and conveniences.

A classification of locations by price range groups is the quickest clue to the desirability of competitive locations in connection with the relative advantages attributable to the presence of neighborhood facilities. To demonstrate the efficacy of location comparisons by price range groups, a simple illustration in this connection may be timely. The facilities available in homes of higher price ranges cannot be compared with the facilities required in lower price range groups, even though sizes and types of properties

may be substantially similar. Areas occupied by lower income groups require easy access to civic, social, and shopping centers. The advantages and offerings of such locations must be compared one against the other in the same price range to arrive at their relative desirability as places for this income group to live. Comparisons with higher price range locations, further removed from such centers, would be useless. The market in higher price ranges prefers to select more suburban locations and accepts with little question their relative remoteness from complete neighborhood centers. Private transportation facilities and small neighborhood centers meet the market requirements of these groups in this respect. Again, in lower priced areas, means of recreation are essential. In higher priced districts, they represent merely a passive contribution to general welfare.

The quality and accessibility of civic, social, and commercial facilities, as related to the requirements of the occupant group, and as compared to the facilities available at competing locations, form the basis of analysis. The significant factors are: quality and accessibility of schools, quality and accessibility of shopping centers and amusements, and quality and accessibility of churches, clubs, and recreational centers. The preferred location, in this respect, is where the present facilities provide adequate means for pleasant living and where provisions for educational and cultural development are considered suitable.

ADEQUACY OF TRANSPORTATION

Means of adequate transportation are market requirements in every urban community. The adequacy of transportation usually varies according to the geographic position of the location in relation to the city pattern. Of particular importance, in this phase of the analyses, are: diversity of available services, cost, quality, and frequency of service, distance from location to service, time required to destinations, and condition of streets and roads. The last two features are primary considerations in small communities where no means of public transportation are available although they should be taken into account in the analysis of all types of locations.

The basis of examination is a comparison of the adequacy of transportation at a given location with the same facilities present at all other locations occupied by persons of similar incomes.

Good public transportation service at reasonable costs is essential to the market for homes in the modest price ranges. Reliance upon the automobile for transportation has supplanted the need for public transportation in higher priced suburban areas. This mode of transportation may be considered reasonably adequate in such areas. However, if competitive locations offer public transportation facilities, the former areas will suffer in desirability by comparison.

The distance from the location to the boarding point and the time required to employment and shopping centers are important factors in weighing the adequacy of transportation at competitive locations. Bad weather, traffic intersections, infrequent service, delays, and long runs, remote as they may seem from the subject of location analysis, assume an importance in the measuring of adequacy of transportation.

SUFFICIENCY OF UTILITIES AND CONVENIENCES

The marketability of residential properties is affected by the presence or abscence of utilities and conveniences. Mortgage risk increases as marketability is diminished. The utility requirements will vary with the social and financial class of occupants from location to location. The comparative advantages or disadvantages in this connection at a certain location must be weighed against the facilities available at other competitive locations. The quality of the utilities and costs of

service should meet the requirements of both the present and prospective market. The market in certain areas may be tolerant of the absence of certain utilities. However, it must be remembered that acceptance and tolerance are not synonymous. The coming generation comprising the future markets may refuse to tolerate the lack of certain conveniences. Marketability in such instances is seriously impaired. Favorable opinions will result in areas supplied with all required utilities at costs which are considered fair.

TAXES AND SPECIAL ASSESSMENTS

The community tax burden constitutes an important market consideration at all locations. Bases for assessment and tax rates may vary for different areas within the same city. If tax payments are burdensome, marketability is affected. Mortgage risk is thereby increased. The principal consideration should revolve around two factors: first, the relationship of the tax burden at a specific location with tax payments at other competitive locations of similar price and, second, the nature, cost, and duration of special assessments. If special assessments already exist or are in prospect, locations free from this condition possess more appeal to the market. These factors are deserving of consideration in grading the relative qualities of locations and neighborhoods. A favorable ratio should exist between the total tax burden per year and the value estimate of the property to insure continued marketability and favorable location analysis.

APPEAL

The appeal attributable to a location is measured in terms of the attitude of the income and social class comprising the market for properties in that area. A location of modestly priced homes may possess a high degree of appeal to persons of lower income. This degree of appeal may be equally as high as the appeal a higher priced location commands of its market. Appeal is purely relative. It is measured by a comparison between competing areas of similar price ranges where the market is comprised of similar income groups. If locations are generally attractive to the persons constituting their market, they may be said to possess a high degree of appeal.

The fundamental considerations may be classified as follows: natural physical charm and beauty of location, geographic position of the location, layout and plan of neighborhood, architectural attractiveness of buildings, social attractiveness, and freedom from nuisances.

As to the first factor, lower priced locations possess charm and beauty when homes, streets, and grounds are well kept. In higher priced neighborhoods, distinctive characteristics such as rolling topography, shaded lots, shrubbery, and pleasing landscapes are necessary to produce a high degree of appeal.

Appeal is adversely affected if the geographical position of the location is unfavorable. Approaches through blighted or unsightly areas will affect appeal. Pleasing views, broad vistas, and other advantages resulting from a favorable geographical position are elements of appeal.

If the neighborhood is appropriately planned and pleasingly laid out for its price class, the appeal of the location will remain firm. Areas so laid out have a tendency to remain desirable to the present and prospective occupant group for reasonably long periods of time.

If there is a pleasant but conforming variety of architectural styles and designs, conditions are such that a favorable degree of appeal is firmly established.

The appeal of a location depends to some extent on the architectural attractiveness of its neighboring development. If architectural styles are unconventional, freakish, or inappropriate, the appeal of the location is weakened. The public is becoming increasingly conscious of different architectural styles and their degree of appropriateness. If these styles harmonize pleasantly and if such designs

are appropriate, appeal is relatively high.

The social attractiveness of a neighborhood is a most important element of location appeal. If families enjoy pleasant social relationships and if their educational and cultural backgrounds are substantially similar, such locations will continue to appeal to other families of like social standing. These factors make for firm markets for residential properties, and, if marketability is firm, appeal is correspondingly constant. Even in lower priced areas, this observation holds true. The stability of an area depends upon the character of the people comprising the present and prospective occupant group. When neighborhoods begin to be occupied by socially incompatible people, appeal is weakened and marketability is threatened.

If nuisances are present at a location, appeal is relatively low. Billboards, gas stations, poorly maintained properties, stables, and offensive manufacturing odors are deterrent elements to appeal. If competing locations enjoy a freedom from major nuisances, appeal is accordingly higher. Any adverse influence that impairs the marketability of a residential property is an item affecting appeal and, as such, will reflect itself in the analysis of the location.

The analysis or the rating of a location is an expression of the degree of risk attributable to a property's location at a specific site.

SUMMARY OF FACTORS OF LOCATION RATING

To summarize and to identify the individual factors of location rating, the following list is presented in conclusion:

- Relative economic stability.
  - Stability of family incomes.
  - Sufficiency of family incomes.
  - Social characteristics of neighborhood occupants.
  - Stage and trend of neighborhood development.
  - Probability of forced sales and foreclosures.
- Protection from adverse influences.
  - Zoning.
  - Restrictive covenants.
  - Natural physical protection.
  - Surrounding homogeneous neighborhood.
  - Quality of neighboring development.
  - Ribbon developments.
  - Nuisances.
- Freedom from special hazards.
  - Topography.
  - Subsidence.
  - Earthquake, tornado, or hurricane hazard.
  - Flood hazard.
  - Traffic hazard.
  - Fire and explosion hazards.
  - Hazards to health.
- Adequacy of civic, social, and commercial centers.
  - Quality and accessibility of schools.
  - Quality and accessibility of shopping centers and amusements.
  - Quality and accessibility of churches, clubs, and recreation centers.
- Adequacy of transportation.
  - Diversity of available services.
  - Quality and frequency of services.
  - Cost of service.
  - Distance from location to service.
  - Time required to destinations.
  - Condition of streets and roads.
- Sufficiency of utilities and conveniences.
  - Presence of required utilities.
  - Quality of utilities.
  - Cost of services.
- Level of taxes and special assessments.
  - Relationship of tax burden with competitive locations.
  - Nature, cost, and duration of special assessments.
- Appeal.
  - Natural physical charm and beauty of location.
  - Geographical position of location.
  - Layout and plan of neighborhood.
  - Architectural attractiveness of buildings.
  - Social attractiveness.
  - Nuisances.

The Appraisal of Rock, Sand, and Gravel Deposits

By GEORGE H. COFFIN, JR., M.A.I.

THE appraisal of rock, sand, and gravel deposits presents many factors for study which are not encountered in our typical assignments, any one of which if overlooked could lead to an erroneous estimate of valuation.

Let us assume that our problem is one in condemnation—that the total deposit contains fifty acres; that a portion containing twenty-eight acres is to be taken for flood control purposes; that the deposit is under lease; that the operator pays a royalty of eight cents per ton to the fee owner; that the existing lease expires in nine months but contains a clause giving to the lessee an option to extend the term for a minimum period of ten years or a maximum term of fifteen years at the same royalty of eight cents per ton; that the lessee has operated the deposit continuously for over nine years; that the plant site and storage areas require ten acres and that this acreage is not a part of the twenty-eight acres to be condemned; and that the plant, machinery, and equipment belonging to the lessee are sufficient, assuming proper maintenance and replacements, for the full fifteen years of an extended lease term.

The appraiser is concerned with an analysis as of a given date of the market value of the land as a whole and of the land remaining after the taking of the twenty-eight acres by condemnation. The analysis for the latter discloses the severance damage, if any, sustained by the remaining acreage. The whole of this study requires a most careful segregation of the respective interests of the lessor and lessee.

ANALYSIS OF THE DEPOSIT—QUANTITY AND QUALITY

Among the first important factors for consideration is a quantitative and qualitative analysis of the material composing the deposit and a study of the location in relation to the market for the finished product as well as the extent, location, and character of competition. From a quantitative consideration the appraiser wants to know the tonnage or yardage remaining in the acreage; this means he must locate the bottom of the deposit. Unless test holes have been drilled, he should first investigate water wells in the neighborhood and endeavor to secure the logs from the owners or from the well drillers. From this information, he determines the depth to clay, which establishes bottom if the wells are upon the property or immediately adjacent thereto. The depth may vary greatly in the length or breadth of the acreage. If logs of wells are not available, adjoining deposits should be examined to gather data on the deepest excavations in order to find if greater depths have been abandoned because of exhaustion of material, having reached the water level, or a depth attained which established the limit of profitable operations. If neither wells nor excavations furnish the answer, then test holes must be made, and the attendant expense is unavoidable.

With the knowledge of the depth, the appraiser now studies the surface levels, which also may vary greatly, and calculates the gross remaining yardage or tonnage, bearing in mind that adjoining property lines, the plant site, and abutting public roads must be protected by a slope, probably not less than one and one half to one and often greater, and that the quantity which will remain unexcavated in plant site and protecting slopes cannot be measured as available material.

One cubic yard of rock, sand, and gravel in place, such as usually found in Los Angeles County (California) deposits, weighs approximately 3,500 pounds, also the cubic yards per acre per yard

of depth are approximately 4,800. If an estimate were made of the quantity in a five-acre portion of the whole tract which had ten yards of remaining depth, the problem would be: 5 (acres) × 4,800 × 10 (yards unexcavated), and the answer would be 240,000 cubic yards, which amount times 3,500 (pounds per cubic yard) equals 840,000,000 pounds, or 420,000 tons, gross. Here the appraiser is cautioned not to confuse this gross tonnage in place with marketable tonnage.

Having secured the quantity estimate, the next concern is with the quality of that quantity. The appraiser wants to know if it measures up to all the specifications in the market area for buildings, pavements, sidewalks, gutters, roadbeds, and governmental projects. City, county, state, and Federal specifications are available for study, and the appraiser should have many separate samples taken from the deposit at various locations and have them analyzed in a laboratory of recognized standing. The usual method of securing samples in an operating property is to cut a channel one foot wide and one foot deep from the top to the bottom of a bank exposed by prior excavations. If considerable depth has been attained, say twenty-five to thirty-five feet, each sample can be expected to weigh from two to three tons. It is entirely conceivable that the laboratory report will disclose that 50 per cent of the rock is too soft to be marketable, that the gravel contains such a percentage of organic matter that it must be washed before it is saleable, that the sand is too coarse for many purposes, or that the specific gravity is faulty.

Assuming that the analysis disclosed an average of 42 per cent by weight of all products to be waste, the appraiser would know then that .42 (42 per cent) times 3,500 (pounds per yard) equals waste products, leaving one ton per cubic yard in place as marketable material. In the above example, relating to five acres of the whole, the appraiser now knows that he is concerned with the value of only 240,000 marketable tons in this area and not with 420,000 tons gross which amount includes waste products. The result of the recoverable quantity analyses of the entire 50 acres may be an estimate of 2,725,000 tons of commercial products in place.

The investigation may disclose that by installing a rock conditioner the soft rock could be separated from the hard marketable product and that at a cost of perhaps five cents a ton a profitable recovery could be obtained. This may change the figure of one ton to one and one half tons per cubic yard of recoverable material. The appraiser must not overlook the possibility of natural accretion. A stream may traverse the deposit, the nature of which may, during the rainy seasons, replenish in part the quantity excavated in the dry season. However, the presence of the stream may be highly injurious as its origin may cause it to deposit large quantities of silt, logs, and foreign matter over the surface of portions of the deposit which may prove to be so costly to remove that the recovery of the material beneath may not be warranted.

COMPETITIVE INFLUENCES

Having arrived at the quantity and quality estimate, the appraiser considers competitive influences, bearing in mind, if the appraisal is of a deposit in southern California, that there is an oversupply of rock, sand, and gravel and no risk of exhaustion. The supply is so vast that to estimate the time when scarcity will prevail would be sheer conjecture. However, the location of these competing deposits in relation to the property under appraisal may be quite another matter when considered in connection with the market territory for products from the specific deposit. Investigation may disclose that the subject deposit is eight to ten miles closer to its market than the nearest important competing plants. The appraiser then realizes that the higher mileage cost of delivery per ton which is necessitated by the distance of major competing plants may

create a monopolistic advantage to the deposit under consideration, which will tend to eliminate destructive competition. Again, the subject deposit may be located contiguous to the mountains; hence, the load haul is downhill, and a material saving is reflected in delivery costs.

ESTIMATE OF TOTAL TONNAGE

The appraiser is further concerned with the probable time element required to exhaust the deposit. No difficulty should be experienced in securing historical tonnage statements from the plant operator covering the background of operations. It is almost certain that these statements would show the output to have varied widely during the past ten-year period by reason of the adverse forces of the depression. In fact, a spread of from 30,000 to 150,000-ton output per annum would be modest. Viewing economic conditions at the time of the appraisal, probable demands for the material, the management factor, and the remaining life of machinery and equipment, the appraiser is able to arrive at a reasonable estimate of future sales expectancy.

Let us assume that this study results in estimating sales at the rate of 60,000 tons per annum for the nine months remaining of the existing lease term and 75,000 tons per annum of average sales during the remaining economic life of the deposit. In this event the recoverable quantity, 2,725,000 estimated tons, would require approximately thirty-six years to exhaust.

VALUATION OF ENTIRE SITE

At this step in the appraisal process the appraiser approaches the valuation of the lessor's estate in its present condition, before any acreage is taken by condemnation. The probability of the fee owner extending the lease term with the present lessee is sufficiently assured to justify all computations of future income to be based upon the assumption that the extended term already exists. In reaching this decision the appraiser considers:

1. The announced desire of the lessee to exercise the extension privilege in the existing lease.
2. The fact that the lessee has a heavy investment in buildings, machinery, and equipment upon the property, the present worth of which would be largely lost if moved elsewhere.
3. That the lessor has no choice but to extend the term as the option for extension rests solely with the lessee.
4. That the royalty of eight cents per ton has been found to be fair and reasonable after investigation of prices paid at other somewhat similar deposits which have been excavated to a comparable depth.

The appraiser, having arrived at an estimate of time in which to exhaust the entire deposit and the annual tonnage output, next considers the likelihood of the lessor's ability to renew an operating lease upon as favorable terms when the extension period expires. He figures that approximately 1,555,000 tons would remain if the lessee elected to extend the term for fifteen years, or a sufficient quantity for approximately twenty additional years if the output continued to average 75,000 tons per annum. He realizes that the lessor is confronted with certain definite recovery hazards which fail to warrant the expectancy of an income stream from the deposit during these later years comparable to the earlier years of operation for the following reasons:

1. The normal economic life of the plant, machinery, and equipment of the present operating lessee would be at an end.
2. The financial ability of the lessee to command the capital investment necessary for a new plant approximately sixteen years hence is unknown, and the then desire of the lessee to continue operations in the deposit is very problematical.
3. Permits in Los Angeles County to operate rock, sand, and gravel deposits are issued by the Board of Supervisors to the plant operator. While these permits are usually good during the period of the operator's lease, they are nevertheless revokable. The appraiser's investigation may have disclosed the encroachment of residential development which would create a united and probably a successful effort on the part of

the home owners to stop the granting of another permit to continue a business which is highly obnoxious to residential enjoyment.

4. The tonnage remaining after approximately sixteen years of operation would in all probability be at lower depths in the pit and at greater distance from the plant and therefore more costly to recover.

Considering the above factors, all of which have an adverse bearing on the continuation of an eight-cent per ton royalty, the appraiser may arrive at the opinion that the worth of the remaining material to the owner of the deposit during the final twenty years of plant operations would not exceed five cents per ton and that the hazard of securing this price would warrant a 10 per cent discount rate.

Another consideration is the present worth of the reversion—that is to say, the value of the land when the material shall have been exhausted. True, all that will remain is a hole in the ground, but trends of environing development may indicate that the exhausted pit would have a value for a city or county park or for a public dumping ground. This value might be estimated at $200 per acre, and the risk of securing such a price may fully warrant an 8 per cent discount rate.

With the aforementioned data in hand the appraiser estimates the value of the lessor's estate, before the taking of any part thereof by condemnation, somewhat as follows:

Present worth of an income for the first 9 months, based upon 60,000 tons annual sales at 8¢ per ton ..... $ 3,600.00

Present worth of an annual income of $6,000 (based upon 75,000 tons annual sales at 8¢ per ton), for 15 years of extended lease term, commencing 9 months hence, money considered worth 8% to reflect the hazard.
$6,000 × 7.929 ..... $47,550.00

Present worth of an annual income of $3,750 (based upon 75,000 tons annual sales at 5¢ per ton) for 20 years, commencing 15 years 9 months hence, money considered worth 10% to reflect the hazard.
$3,750 × 1.853 ..... $ 6,949.00

Present worth of the value of the land after exhaustion of its gravel pit value (50 acres × $200), $10,000, receipt of which is deferred 36 years, money considered worth 8% to reflect the hazard.
$10,000 × .0626 ..... $ 626.00

Total estimated value lessor's present estate (corrected to the even $100) $58,700.00

Per acre estimated value ..... $ 1,175.00

VALUATION OF LESSOR'S ESTATE AFTER THE TAKING

Having appraised the value of the lessor's estate, before the taking of a portion thereof, the appraiser is now concerned with the value that will remain after the severance of the part to be taken. By reference to his quantitative study of the whole deposit and by blocking off the acreage that will remain, he may find that only 720,000 estimated tons will be available for excavation. This quantity would permit the continuous operation of the plant for the nine months remaining of the initial term of the lease and for nine years of the extension period. It must be borne in mind that only twenty-two acres will remain and that ten acres of this area are required by the plant and necessary storage space. The approach to the remaining value would be somewhat as follows:

Present worth of an income for the first 9 months, based upon 60,000 tons annual sales at 8¢ per ton ..... $ 3,600.00

Present worth of an annual income of $6,000 (based upon 75,000 tons annual sales at 8¢ per ton), for 9 years of extended lease term, (remaining estimated economic life of deposit), commencing 9 months hence, money considered worth 8% to reflect the hazard.
$6,000 × 5.784 ..... $34,704.00

Present worth of the value of the land not taken by condemnation after exhaustion of its gravel pit value (22 acres × $200), $4,400, receipt of which is deferred approximately 10 years, money considered worth 8% to reflect the hazard.
$4,400 × .4632 ..... $ 2,038.00

Total estimated value of lessor's estate after the taking (corrected to the even $100)	$40,300.00

RECAPITULATION

Total estimated value of lessor's estate before the taking	$58,700.00
Total estimated value of lessor's estate after the taking	40,300.00
Lessor's damage by reason of the taking	$18,400.00

It appears from the appraiser's analysis that the land owner is to receive the full market value of the acreage that will remain by reason of the continuation of an operating lease until all material shall have been exhausted, hence no severance damage would be suffered.

THE LESSEE'S DAMAGES

The next problem is the measure of the lessee's damages. The appraiser knows that the future business profits of the lessee will be seriously curtailed, that, whereas the lessee could demand fifteen additional years of operation, by severing twenty-eight acres the remaining quantity will be exhausted in not over ten years, and that the lessee is forced to the ten-year option of extension. However great this estimated loss may be, it is not a problem for the appraiser as the law clearly refuses to recognize loss accruing to business as compensable in matters of this nature. This principle has been firmly established in the case of *Oakland* v. *Pacific Coast Lumber Co.*, 171 Cal. 392-400, and many other cases in which the same issue has arisen.

The appraiser estimates the remaining life of plant, machinery, and equipment belonging to the lessee to be fifteen years and realizes that when operations cease in ten years that only minor salvage or junk value will remain. However, the location of practically all of the plant is upon a ten-acre portion of the acreage not to be taken by condemnation; hence this loss is not to be measured.

Investigation shows several large stock piles of marketable material belonging to the lessee which are located upon the land to be taken, also a sand tunnel and conveyor which perhaps are a few feet over the line and which would have to be moved upon the land which would remain. These expenses are compensable and perhaps constitute the total damages which can be measured, in which event the appraiser's estimate of the lessee's damages would proceed as follows:

Stock pile material to be moved from the area involved in the taking:	
4,000 tons crushed rock at 12¢ per ton	$ 480.00
3,500 tons gravel and pea gravel at 12¢ per ton	420.00
5,000 tons sand at 12¢ per ton	600.00
Reconstructing sand tunnel and moving conveyor	2,000.00
Total lessee's damages due to the taking	$3,500.00

OTHER FACTORS FOR CONSIDERATION

To apply the appraisal yardstick herein illustrated to every deposit without a thorough examination of other factors which might influence value would be hazardous and shortsighted.

1. It might be found that the deposit is located in close proximity to an asphalt or roofing plant which supplies a market at low prices for certain of the material otherwise classified as waste; in such event the recoverable tonnage per cubic yard would be increased, which fact would be reflected in the value per ton of the material in place.
2. A rising demand might indicate that the price receivable for the finished products is destined to increase; however, a probable advance in the cost of labor, supplies, and replacements might offset this advantage.
3. The value of the reversion might be greatly increased if natural springs are encountered in excavations. It might be possible to create an artificial lake with resort features when the deposit is exhausted. If population is accessible, this value could be of major importance.

The subject herein analyzed could be extended to a volume, but it is hoped that this short article may convey an insight into the highways and byways of appraisal thought when focused upon rock, sand, and gravel deposits.

Traffic Counts

By JOSEPH LARONGE, M.A.I.

IN downtown commercial property the value-determining factor called "traffic counts" is salient. Theoretically, if a parcel of land has been developed to its highest and best use, its value is dependent to a great degree upon what it will produce by way of income. Rents in turn, except in isolated cases, are based upon "what the traffic will bear," or, in other words, what retail merchants can afford to remit as rent and still operate at a profit. "What the traffic will bear" is an interesting statement, for, while it is used primarily to describe the rent relationship between landlord and tenant, it goes beyond and signifies the base for establishing such relationship, namely, the potential sales of the merchant.

Many factors directly affect the volume of gross sales, but of greatest importance and underlying all is the number of possible buyers walking in close proximity to the particular unit. The storekeeper cannot expect to survive if he relies entirely upon artificial stimuli to attract customers from great distances to his establishment. In other words, newspaper, radio, handbilling, and other forms of advertising are generally employed to importune shoppers after they are already in the downtown area. Generally speaking, a sale is made quicker through eye appeal than by the message of written word. Consequently, literally millions of dollars are spent annually in window trimming. The art of properly dressing display windows, calling for a reasonably high-salaried personnel, constitutes in the general merchandising scheme a most important factor to success. Time, effort, and funds are expended in this direction only because thousands of people traverse the sidewalks in front of the stores, representing potential buying power. Window displays are the magnets necessary to attract these possible purchasers into the stores proper. This discussion applies principally to the central shopping area of any city.

Subcenter business districts depend to a lesser degree upon the over-all influence that window displays may have on pedestrians. Each of these smaller points of business centralization grows up as a hub of a highly concentrated residential territory. Their life begins with the establishment of purely service stores: the grocery store, the meat market, the creamery, the bakery, the drugstore, etc. The buying public seeks its necessities for sustenance at the most convenient locations. Simultaneously with continued residential growth, expansion of these subcenters will be noted to include other lines of merchandise, from food and other essentials to luxuries. However, service stores always predominate, the luxury merchant finding it difficult to survive on trade from a limited area alone. Furthermore, the habit of "downtown" buying is so deeply embedded in the roots of the populace that an about-face is impossible.

The writer agrees with the idea of decentralization or bringing business closer to the people but not to a degree where such movement would materially affect our central commercial area. There is something purely American about the institution of "downtown." A point of mass concentration where thousands work, eat, shop, and seek their entertainment diversion is a necessary adjunct to a metropolis. Chain store operators concur in this opinion; when seeking entrance into a city, they invariably attempt to locate first in the downtown section. After they are established, they frequently expand their activities to the stronger subcenters.

Thus you will observe that retail business in the central area leans heavily for

its volume upon the number of pedestrians who frequent the downtown section. The total number of people is the prime element of *traffic counts*.

The writer has lived through a period of a 100 per cent section shift in the city of Cleveland, Ohio. In other words, prior to approximately 1910 the sought-after street was entirely different than the best section as we know it today. Individual and singular factors account for such movements of retail trade other than natural expansion—but *traffic counts* are the indicator. The store merchant is always in a better position to judge the success of a location if he is privileged to digest traffic figures. It is important that he have not only the results of the most current check but also a resumé of several previous years' figures. Trends and movements can sometimes be traced by a study and a comparison of *traffic counts* over a period of years. When the leasing profession was more or less embryonic and before the advent of mass expansion on the part of retail chain stores, it was sufficient for the Realtor to wax enthusiastic about a location, to assert convincingly that it was in the busiest part of town, and to extol the advantages of the unit in superlative phraseology without evidence. Advancements in the leasing business have been concurrent with the growth of retail enterprise. Today, intelligent analysis has superseded hopeful guesswork. The Realtor must equip himself, he must be fortified with knowledge and facts, which in themselves tell the convincing story. In leasing, one of these newer, vital, and necessary constituents is *traffic counts*.

MEN AND WOMEN PEDESTRIAN CALCULATIONS

It is an elementary fact that retail business survives upon customers. It is also fundamental and logical that business increases in direct proportion to the number of buyers. Why then dissipate time and words on a consideration which appears to be so simple and basic? Primarily, because the quantity of pedestrians alone is not sufficient. The prospective store tenant must also be apprized of knowledge with respect to the quality.

Practically every line of merchandise has a greater appeal to either women or men as individual classes. Some concerns dealing in goods and wares of a general character draw their purchasers from both classifications, but in these cases they usually seek locations where the women's count is higher. Certain important facts are to be noted in examining this element of *traffic counts*—namely, the men and women calculations. In the first place, of the total number of pedestrians clocked in a downtown area, women always represent well over one half, usually about 60 per cent.[1] With the countless thousands of men who are in the downtown section daily for reasons of employment and the many additional thousands of salesmen whose seat of operations is downtown, it would appear that the calculation should show a predominance of men. Nevertheless, the statement made with respect to the sixty-forty average of women over men actually exists in Cleveland, which is no doubt representative of most large cities.

Naturally, retailers desire to locate only where the traffic is heavy with pedestrians of the sex most likely to be their customers. The proposition seems simple if the Realtor possesses traffic count information. However, in reality, it assumes complex proportions. In Cleveland, for example, one street—namely Euclid Avenue—is considered the main shopping thoroughfare. From the terminus of Euclid, called the Public Square, to East Ninth Street, a distance equaling about five long blocks, each side of the street is distinctly characterized, the south being known as the ladies' side and the north, as the men's side.

A check of the *traffic counts* in this

[1] This figure was taken from *Traffic Counts* as issued by the Cleveland Association of Building Owners and Managers for 1937.

territory reveals some interesting and startling facts, and for purposes of comparison, the following table is reproduced.

EUCLID AVENUE FROM THE PUBLIC SQUARE TO EAST NINTH STREET

NORTH SIDE

Station	*Total*	*No. of Women*
No. 1	7,998	2,738
No. 2	11,756	3,520
No. 3	10,179	3,052
No. 4	10,822	3,527
No. 5	9,989	3,190
Totals	50,744	16,027

About 32% women; 68% men
Average 10,149

SOUTH SIDE

Station	*Total*	*No. of Women*
No. 1	30,193	21,506
No. 2	26,765	19,758
No. 3	25,001	17,502
No. 4	22,518	15,939
No. 5	19,504	12,452
Totals	123,981	87,157

About 71% women; 29% men
Average 24,796

It will be observed that the ratio of pedestrians on the south side as compared to the north is approximately two and one half to one. This fact definitely establishes the 100 per cent area as being Euclid Avenue, south side, between the Public Square and East Ninth Street. Chain merchants seeking entrance into our city invariably first request that territory, assuming their products have feminine appeal. Their preference is also designated as desiring a unit closer to the western extremity than the eastern boundary of the region. Such preferments can be directly correlated to traffic figures. Prevailing rentals likewise bear a relationship to pedestrian calculations although variations in these schedules are not in direct proportion to changes in foot traffic volume. In other words, rents do not rise or decline sharply as an immediate effect of an increase or decrease in the total number of people in any one zone. Certain elements weight the traffic counts which unfortunately make them somewhat factitious as an accurate measuring stick of pedestrians. Many of these unnatural components will be enumerated in a later paragraph. It is sufficient to say that if a decrease in foot traffic at any one point remains constant for a period of years, the average rentals will eventually lessen. In a like manner, should the count reach a higher figure than that which has obtained and remain approximately at the new level, it is reasonable to assume over a fairly lengthy period of time that the new count is real and not artificial. Lease values for stores, without considering general economic conditions, will be accordingly elevated. The point is that rents do not fluctuate with every minor change or irregular decrease or difference in traffic counts. If, however, you reduce the traffic calculations and the store rentals to a graph form, you will observe that the lines almost parallel each other in their upward and downward swing. This conclusion is reached only if reflection is not given to drastic economic changes which we call prosperity and depression.

EFFECTS OF PROSPERITY AND DEPRESSION

In most instances a severe retardation of general business has little or no effect upon the volume of people who traverse the downtown streets. The practical result of such a condition is to reduce materially the buying power even though the numbers remain constant. During such low periods in our business cycles, particularly if they are of long duration, landlords are obliged to accept reduced rentals in order to maintain occupancies. Therefore, rents and traffic counts might be extremely disproportionate at intervals. On the other hand, a rapid incline to the prosperity level of the business cycle might also suggest a pedestrian count—rental scale comparison lacking in its usual symmetry. The writer firmly believes that store lease prices cannot continue to rise without having an upward restrictive boundary

simply because the number of people at a given point continues to multiply. In other words, a saturation point will be reached, if by no other reason than through the sheer limitation automatically set by the size of the merchandising spaces. Regardless of the number of potential customers who might be drawn into a store, the merchant can do no more business than the space in his unit will permit. The relationship pointed out between units and counts seems to have applied in a general way; that is, increases and decreases in pedestrians for a period of sufficient duration has resulted in a similar movement of the rental scale.

SHOPPING HABITS A FACTOR

However, if we attempt to adopt the same principle as between the south and north sides of Euclid Avenue, we discover a great divergence. As previously stated, the south-north pedestrian ratio is 2.5 to 1. The average rental variation, however, is 1.65 to 1. An analysis of this situation brings to light some additional features of the *traffic count* study. In the first place, shopping habits of the two general classes, namely men and women, must be understood to interpret the figures properly. Customarily men know the article they are seeking and where it can be purchased before they start out on the street and are clocked by the traffic checkers. Women, in direct contrast, frequently are in the downtown section going from store to store without a definite objective in mind. The average male purchaser is employed and has little time to visit several stores before buying his article. As a class, males are much more habit-minded in their shopping than females. Those of the latter group often enter and emerge from many shops without acquiring merchandise; if the woman shopper makes a purchase, it undoubtedly is after comparing prices and quality at several establishments. Each individual lady pursuing this type of shopping is very likely, therefore, clocked several times during the count-taking period. Men, however, in carrying out their general mode of shopping will be clocked only once as their route is usually a direct one—to a particular store and back to the office. It is a logical deduction, therefore, to assume that the high count on the south side of Euclid Avenue is less representative of the per capita buying power than is the smaller count on the north exposure. We can justify the lack of uniformity existing between the two sides of the street in the pedestrian count—rental scale ratios.

By way of summary and for purposes of further emphasis, it is repeated that quantity alone is not sufficient in *traffic counts*. Quality, or the caliber of the individual as representing the mass, buying habits, etc., indicative of potential purchasing power, must be weighed by the merchant seeking a particular location.

In further breaking down the traffic tabulation between the Public Square and East Ninth Street, an amazing fact is brought to the surface. As previously indicated, the local citizenry as well as chain store operators, other merchants, and Realtors in and out of Cleveland who have knowledge of our retail situation consider the south side and women's wear synonymous. In a like manner, the northern boundary is always linked with the sale of merchandise distinctly appealing to men. If the question were asked: "Which side of Euclid Avenue between the Public Square and East Ninth Street carries the highest men's count?"—nine out of ten persons would answer: "The north side." Using the tabulation of the Building Owners and Managers as hereinbefore set forth, you will discover that the south side of Euclid shows a figure of 36,824 men, while the north side during the same count period indicates 34,717 men. Yet every store on the north side is distinctly a men's establishment while all merchants, with the exception of one, on the south side cater entirely to women (department

stores not considered). The one exception is chargeable to the fact that an entire building, formerly a ladies' apparel concern, became available during depression at such an astoundingly low price a nationally known merchant could not resist its acquisition, considering same from the viewpoint of an investment. Thus again we note the necessity of analyzing tabulations and not accepting them at face value. The explanation of this peculiar phenomenon has in part at least been given, namely: First, the south side in total count carries two and one half times the number of people as the north. Naturally, the law of averages shows its hand, boosting the men's count on the south side to an unreal figure if same is to be used for interpretation as buying power. Secondly, I have contrasted the mannerisms of male and female purchasing habits, ascertaining that men's stores, if properly located, require a lesser traffic count than women's stores. This circumstance reflects itself in the rental scale.

Summarizing, your attention is again focused upon the following existing conditions on Euclid Avenue set out in table form:

	South	*North*
Total Count	2.50	1
Count (Men)	1.06	1
Rental Comparisons	1.65	1
Character of Stores	Distinctly Women	Distinctly Men

For purposes of your own perusal and reckoning the traffic count of Euclid Avenue from East Ninth Street to East Seventeenth Street is presented below, the latter generally being considered the eastern terminus of the retail shopping area. These figures likewise produce food for thought and are referred to in later paragraphs.

EUCLID AVENUE FROM EAST NINTH STREET TO EAST SEVENTEENTH STREET

NORTH SIDE

Station	*Total*	*No. of Women*
No. 6	9,439	3,936
No. 7	6,614	2,997
No. 8	10,343	5,164
No. 9	7,770	3,401
Totals	34,166	15,498

About 45% women; 55% men
Average 8,541

SOUTH SIDE

Station	*Total*	*No. of Women*
No. 6	12,490	7,828
No. 7	6,392	3,667
No. 8	7,684	4,695
No. 9	3,577	715
Totals	30,143	16,905

About 55% women; 45% men
Average 7,535

As previously stated, traffic counts have a positive value in the fields of store location and appraising; but it was also pointed out that tabulations must be used as guides only. Blunt figures may tell an artificial story, and even after interpretation certain dangers lurk in the background, making it unwise to place too much credence in the synopsis without knowing related facts. Not so many years ago, however, authorities began to recognize the vital importance of traffic as a factor of value with respect to a store location as well as the real estate itself.

The following is a quotation from a pamphlet of the Cleveland Association of Building Owners and Managers:

> "Present and future property values in the retail district depend largely upon the average rent paying capacity of the ground floor storeroom merchant. His ability in this direction is in proportion to his sales volume. In a general way through the medium of proper merchandise display the volume possibilities of the merchant are in proportion to the sidewalk pedestrian traffic although the traffic yield varies on different streets dependent upon the purchasing power of the individual and the average number of merchandise buyers passing at a given point. . . . Several years ago it became apparent that if a sidewalk traffic count could be taken simultaneously at certain fixed stations throughout the downtown district the relation between volume of traffic and current ground floor rentals could be ascertained; and that if traffic counts were subsequently taken at these stations regularly and under conditions which would reasonably insure a fair average, comparisons could be made with previous counts and the trend analyzed."

CONDITIONS FOR TRAFFIC COUNTS

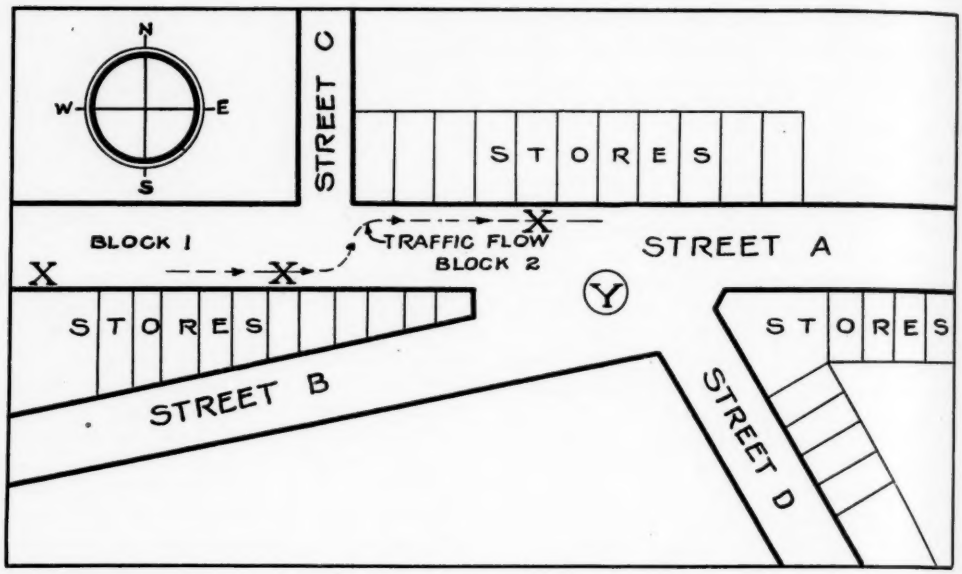
Obviously, the counts, to be most valuable, should be taken on the same days and hours each year and under conditions as nearly alike as possible. After considerable study of family-buying customs and department stores' usual routine as to special sales and an analysis of daily business volumes, it was determined, in Cleveland at least, that an average of Wednesday and Friday traffic would be the most representative. Counts, therefore, are taken annually on the second Wednesday and Friday of June and the first Wednesday and Friday of November. In order to obtain figures indicative of the natural flow of pedestrians unaffected by theatre hour, going-home hour, or lunch-hour rushes, the counts are made from 9:30 to 11:30 A.M. and from 2:00 to 4:00 P.M. The two days are then averaged, and the resultant figures show a four-hour check.

Early in the development of traffic counts the need for further subdivision became necessary. We are in a position, therefore, to scrutinize for many years back not only total numbers but the volume of men and women as separate classes. The comparisons in many cases are intensely interesting and signalize trends.

However, I again sound a trumpet of warning to accumulate all facts surrounding the count and applicable to it before drawing conclusions. So many exterior features, seemingly trite in character, heavily weight the tabulations. Their significance may best be realized by enumeration and example. The clocking at a certain station in Cleveland for years showed a figure between 4,000 and 5,000. In 1932 the amount increased to 10,582. If during that year the last count only had been used by a merchant as a guide in determining potential gross business and consequent rent the traffic would justify, success no doubt would have been elusive and the realization that he should have compared figures for several seasons too belated to help him. He, of course, would not be apprized of the knowledge, by simply looking at the 1932 tabulation, that the day before the count day a disastrous fire almost completely deleted an apartment hotel in the immediate vicinity. How was the merchant to know that at least 5,000 of the pedestrians clocked were not shoppers but curiosity seekers who traversed the street on that particular day to view the still smoldering ruins?

Another set of circumstances in Cleveland illustrates a point worthy of consideration, namely, pedestrian figures of contiguous stations, taken alone or averaged, are not necessarily an accurate or near accurate tabulation of locations between the count points, or close to them. Your attention is directed to the street diagram shown on page 152 for illustration.

Street A is the main shopping thoroughfare. Streets B and D run into A a peculiar diagonals, creating island Y which is hazardous for pedestrians to cross. Consequently, it has become a subconscious habit of people walking east on the south side of Street A to cross to the opposite side with the signal light at the point of meeting with Street C. The X marks indicate traffic count stations. Between the two points of tabulation on the south side, the figure shows an average of about 7,000, but stores thirty feet beyond the farther east station are not benefited to any great extent by this volume. As previously stated, the mental hazard of a wide expanse of open street occasions a steady flow of pedestrians crossing the main avenue. Thus, we see that under rare circumstances a count might be extremely unreal thirty feet removed from the station. It is also to be noted that the north side of the street in Block 2 profits greatly by the odd intersection arrangement, the count showing 10,343 pedestrians. This situation also is reflected in the rental schedules and types of enterprise. Stores on the south side east of the island are rented to businesses requiring little foot traffic such as travel agencies,



ticket offices, etc. and command considerably lower leasehold prices than similar units on the north exposure in the same block.

Innumerable other factors affect traffic counts as a location indicator and as a constituent of property value. Is it the sunny or shady side of the street? Is the clocking station located close to a railroad terminal, streetcar stop, church, theatre, assembly hall, etc.? Have street crossings, widenings, or repairings caused the general flow to divert its usual course? Have barricades on buildings due to renovation or new construction been taken into account? What were the weather conditions on the count-taking days—favorable, fair, or stormy—and was the temperature excessively warm, extremely cold, or pleasant for shopping? Do arcades, short connecting streets, crossovers, and the like influence volume as set forth? Have parades, conventions, or expositions modified the count? Does advertising, special sales, or new store openings reflect in the figures? Have traffic regulations, parking facilities, and traffic lights been considered? In your utilization of traffic counts have you given sufficient import to street widths, avenue intersections, proximity to office buildings, etc.? These and many similar issues bear directly upon the authenticity of tabulations. Risking repetition, the writer again wishes to state that figures alone should be treated as temperate guides of potential business. Properly examined, the counts operate as a good measuring stick. The Realtor has an obligation, a duty to perform in store location work—to make known to the uninformed all such situations which have influenced the tabulation directly or indirectly. Principally, the chain store merchant, with distant headquarters, must rely upon the local Realtor to divulge sincerely and completely all information necessary to the correct interpretation of bare figures.

SPECIAL TRAFFIC COUNTS

Thus far I have discussed pedestrian counts only, principally as an institution presided over and carried on by such organizations as the National Association of Building Owners and Managers. These

generally relate only to the downtown section and with purpose aforethought have been tabulated upon days and at hours considered to be representative of the general flow of shopping traffic. Necessity frequently arises for special computations chiefly for the purpose of locating businesses which thrive upon pedestrians who traverse the sidewalks at other times. A restaurant seeking a suitable location could make better use of a special count taken between the hours of 11:30 A.M. and 1:30 P.M. than the uniform clockings. The restaurateur would also be more interested in the approximate number of employees in near-by office buildings, department stores, and shops, as well as interior counts taken at strategic points inside these structures.

Usually the management of the larger buildings, believing it advantageous, maintains important figures of this nature on file. If not available, however, special tabulations can be made.

VEHICULAR TRAFFIC

In most large cities compilations of vehicular traffic on all main arteries are also regularly prepared and maintained. These figures, showing total traffic hour by hour in each direction, are of vital importance in the locating of service stations, automobile showrooms, and other enterprises having dependence upon the motorist. Checks at important intersections indicating the approximate number of cars that stop at various hours of the day and night because of the signal light, as well as a fairly accurate estimate of those that turn in each direction, are likewise salient. Computations of this kind are used to distinct advantage by outdoor advertising companies.

CENSUS DATA

Another service available in most cities is a study of census tracts. A metropolis is usually divided into different sections, and knowledge has been assimilated whereby it is possible to learn such pertinent facts as the number of people in each, population growth, number of families, average number of children, number of home owners and renters, and racial information evidencing a predominance of American or foreign-born and in the latter designating the nationality. From a long study, experts know the buying habits of the various racial groups—those who are thrifty, installment buyers, etc. It is readily discernible that census tracts play the feature role in the development of subcenters. Information with respect to these factors is ordinarily as essential to the merchant desiring to locate in these outlying points of business concentration as are traffic counts to the downtown Realtor.

Unfortunately, thus far it has been difficult to utilize census tract information in direct application to the downtown location problems. Once in the central area, peoples of all classes and nationalities merge in a common melting pot. They form a heterogeneous mass from which it is impossible to segregate and characterize individual pedestrians.

However, it is possible to determine the streetcar transportation routes to and from the individual tracts, after which we are at least in a position to judge locations of a few types of individuals. A large grocery store, for example, succeeds on a street of secondary importance, assuming that such avenue is characterized by basket-carrying traffic. This is generally dependent upon the location of streetcar stops of lines usually employed by a great number of foreign residents to bring them into the central area.

On the other hand, operating under a similar base rental, the grocery merchant by comparison will undoubtedly find it difficult to succeed on the main shopping thoroughfare. Rerouting of surface cars and busses may materially affect the type of trade in a given zone, and the Realtor should have current information with regard thereto.

TRAFFIC COUNTS IN VALUATION OF REAL PROPERTY

Mention has been made of the prominence of traffic counts as a factor in appraising downtown real estate. While no detail has been presented to explain their use, the general theme of application underlies all. Value is dependent upon income, which in turn is generally derived in greatest net proportions from ground floor space—which in turn leans heavily upon the number and quality of pedestrians. James D. Henderson says in his text *Real Estate Appraising,*

> ". . . Of what value are all these traffic counts? . . . it is merely an attempt to determine the amount of gross business being done . . . in a given location. With these factors known and with a knowledge of the ratio of the volume of business to the rental paid, the rental value of the store under consideration may be estimated. After deducting taxes, repairs, and other operating expenses from the rental established, the net return is obtained, and from this is determined the capitalized value of the property."

The appraiser is frequently called upon to segregate land and building and render a valuation for the former alone. This circumstance often exists in reappraisal—leases of long standing, for example. In order to determine properly the value of the land as an entity, its productive possibilities must be fairly accurately estimated. The present improvement might be unwise utilization of land; perhaps that type of building never should have been constructed in the locality. To arrive at a correct solution, the appraiser projects different developments on the property, computing income possibilities. In determining the highest and best use through the income method of approach, traffic counts very naturally assume a potent role. Likewise, in appraising land and building together as a unit, existing short-term leases must be considered. Traffic flows over a period of years will assist in indicating the justification of the lease rental obligation and will also help to prophesy the future rental worth of the ground floor mercantile quarters. Occasionally, in feverish periods, activity in buying short-term leases becomes poignant. Pedestrian counts again are material in evaluating the worth of the instrument for the balance of its duration.

An attempt has been made to paint a word picture of a most comprehensive subject—*traffic counts.* The ramifications are manifold, but the uses are limited principally to utilization in store location work and appraising. An endeavor has been made to acquaint you with the method of count-taking, the differential between quantity and quality of pedestrian traffic, the many dangers in strict adherence to figures, and examples of phenomena brought to light through study of counts and the application in the fields of business locating and appraising. Philip W. Kniskern in *Real Estate Appraisal and Valuation* states: "Heavy traffic, that is to say, the quantity of traffic, means little in itself for it is necessary further to determine not only the buying power but also the buying intent of that traffic."

In concluding, it is the writer's desire that you be left with one very definite impression, namely, that, regardless of the pitfalls and dangers, *traffic counts* serve invaluable purposes. Chain store location men seldom will render a verdict without knowledge of the numbers and quality of passers-by. *Traffic counts* are now considered a necessity where they apply in the sphere of appraising. The subject is embryonic and one which will rapidly develop, gradually enlarging its scope of employment.

Neighborhood Analysis

By ROBERT H. ARMSTRONG, M.A.I.

THE neighborhood factor in American economic life has undergone a distinct change since the turn of the century. At first, slowly, and then at a pace of continued acceleration, neighborhoods have tended to decline, until today, in many of our large urban centers, the neighborhood may be said to be practically nonexistent except for such natural geographic boundaries as may separate racial and ethnic groups or which may divide business and residential areas.

In early times a town or village itself constituted a neighborhood, then later sections of towns and cities developed local areas within which the neighborhood pattern evolved. Probably the greatest force in neighborhood growth has been the frequent and intimate association of those living or working in a given area and the gradual development of a homogeneous social group which could not only influence but could control and mold community and social life. Also, when that which is now known as "community spirit" was born, the neighborhood emerged as a political, social, and geographic unit.

However, modern economic and social life has caused great changes in the status of the neighborhood, for we are today living in a world completely different from that of one hundred, fifty, or even twenty years ago. The ramifications of our economic system have spun a fine sheen of economic nerves over our business and social life, with the result that agitation is carried from one section of the country to another almost instantly. This holds true not only for business districts, but for residential areas also. Up to a short time ago the residents of all but the largest seaboard cities were little affected by international trade and prices, but today both the price and production of Argentine wheat have serious repercussions in the lives of thousands of those on farms, in the cities, and in the villages in the Middle West. Less than six years ago bank failures in Michigan paralyzed not only this country's banking system, but brought about eventual abandonment of the gold standard. Volumes have been written concerning the passing of the rugged individualist. It must now be realized that the rugged individualism of neighborhoods as such has also passed out of existence.

There are many reasons why we cannot look for the recrudescence of the neighborhood as it existed. The most important one is probably contained in the tendency of the nation's urban centers to grow at the cost of rural communities. At present about 60 per cent of the entire population of the country dwells in towns or cities, and the large urban centers, together with their suburbs, are growing at a faster rate than is the population as a whole. Evidence of this is borne out in the fact that between 1920 and 1930 three great industrial sections, the New York metropolitan area, the Great Lakes states of Michigan, Ohio, and Illinois, and the Pacific states of Washington, California, and Oregon drew respectively 1,900,000, 1,300,000, and 2,100,000 migrants. The rearrangement in the pattern of both urban and rural communities has resultantly caused rapid changes in the status of neighborhoods.

The National Resources Committee, in its report entitled *Our Cities*, recently stated with reference to our cities and the urban mode of life: "The mobility of the urbanite, the range, the superficiality, the anonymity, and the segmental character of his contact account in part for his freedom from traditions and for the rationality of his outlook. In the competition of the city, the status of a man is determined more by what he can do or

what he owns than by his blood or his ancestry. The city man typically moves in and is a transitory part of a multitude of social groups and is not permanently attached to any of them. His loyalties thus are more fickle. . . . The urban mode of life tends to create solitary souls, to uproot the individual from his customs, to confront him with a social void, and to weaken the traditional restraints on his personal conduct. . . . Personal existence and social solidarity in the urban community appear to hang by a slender thread. The tenuous relations between men, based for the most part upon a pecuniary nexus, make urban existence seem very fragile and capable of being disturbed by a multitude of forces over which the individual has little or no control. . . . The central problem of national life in regard to cities is a problem of creating those conditions that are required to make cities livable for human beings in a machine age."

This statement might be interpreted as being an indictment of the present mode of life; however, it sums up tendencies which have sorely affected neighborhood life and neighborhood values. It might well be added that the chief difficulties encountered in creating neighborhood homogeneity today lie in the mobility which modern transportation gives to the individual, the high degree of population concentration met in most urban centers, and the heterogeneity of land use, type of homes, and population which has come from that concentration of population.

BLIGHTED AREAS

Perhaps the best laboratory for the study of the neighborhood is the slum area or blighted districts that exist in every city and town and hamlet in the country today. These areas were once the pride of the nation; today they are called its disgrace. Therefore, just as the physiologist and psychiatrist study human behavior at its extremes, so they may gain a greater knowledge of normal behavior, so is it necessary to examine minutely this type of extreme so that cause and effect may be more easily discerned.

In general, there are four types of blighted areas. The first is the poorly planned subdivision which was never sufficiently developed and usually a product of boom prices and speculative fervor. This type of blight also occurs when too much land is zoned for special purposes, such as store occupancy, and there is no reasonable anticipation for a high percentage of occupancy for a long period of time.

The second type is represented by those residential areas which have begun to depreciate and which no longer attract the type of occupants for which the buildings were erected. The most usual example of this occurs when a high-class residential section begins to have a large percentage of its homes used for boarding and rooming houses and the new inhabitants do not have the social or economic background that the former owners possessed.

The third condition of blight occurs in business districts which are no longer fashionable and have gone downhill as trade moved from them.

The fourth type of blight occurs when residential and business districts adjoin each other too closely. In this case, the residential property usually becomes unsuited for its original purpose, and business is not able to absorb the space and land in excess of its needs. Here the residential properties may well be termed as being neither "fish, flesh, nor foul."

There may be numerous other causes of neighborhood blight and decay, but the above are the most important. Probably the most pertinent factor to be remembered, however, is that all neighborhoods, even the very best, contain some tendencies toward blight—they inherently contain the very germs of blight—and unless the influences of the disease are continually combatted, the spread of the blight and decay will proceed at a rapid

pace. It is general knowledge that most of our great cities are rotting at their core, but it must be remembered that they can rot at any point and will unless measures are taken to control this hazard to property values.

DEPRECIATION AND OBSOLESCENCE

In the past, a great deal of study and consideration have been given to depreciation and obsolescence in buildings, and most of the factors which have adversely affected property values have been attributed to these two causes. In the United States, the average life of a home is generally taken to be fifty years, and apartments, offices, and loft buildings are given a shorter length of effective life. In foreign countries, however, it is not unusual to hear of homes, and even communities, which have maintained their character for periods well over a hundred years. If it is remembered that even the most speculative type of buildings erected during the past fifteen years are better and are less susceptible to depreciation and obsolescence than are buildings erected fifty years ago both in this and foreign countries, it seems that the rapid decline in property values in practically every city and hamlet should be ascribed to some other reason than just "obsolescence and depreciation." Of course, buildings become outmoded and worn out, but when this rate of change is compared to the rate of neighborhood change, it is slow indeed. In fact, it might be stated in general that buildings have a life of two or three times that of the neighborhoods which surround them. Changes from without rather than from within are the determining factors in judging the value of most real estate. Furthermore, with the tempo of modern life becoming faster during each decade, we shall have to look to the neighborhoods to have a continually shorter life unless something is done to preserve them. This tendency is bound to have much more disastrous results in the future than in the past, for, as the population curve of the nation flattens out, owners can no longer look to unearned increment to make up for the loss of building values. If property values are to maintain some semblance of stability, the neighborhood will have to receive more attention than has been awarded it in the past.

If realty values are to be preserved, stabilized values are needed, not values which have a tendency to act like jumping beans. A large part of neighborhood values lie in social values; therefore, when social values become unstable, there are resultantly few or no sales; then the market in turn becomes jittery; lack of confidence follows; and finally unstable and decreased realty values develop. When this set of circumstances occurs, there is the likelihood of realty values starting on a downward course, and to reverse this trend is an almost impossible procedure.

NEIGHBORHOOD INFLUENCE FACTORS

It is probable that the perfect neighborhood never has and possibly never will exist. Nevertheless, in order to gauge properly not only values, but also the future of communities and cities, it is imperative to inquire minutely into those factors, both social and physical, which influence neighborhoods. These factors are itemized in the following, but no attempt has been made to weigh their relative importance as both time and location are apt to transpose the significance of each one.

Permanency of location: Is it likely that the neighborhood will undergo any change in the near or immediate future, or are the present inhabitants likely to remain for a considerable period of time? For instance, if a town or district depends for its livelihood upon one line of business or industry, and that line of industry is highly speculative or has been on the downgrade for years, the probability is that the location will not lend itself to any permanency. In the same way, a neighborhood might be said not to have permanency if in closely surrounding territory any change is occurring in the racial characteristics of the population.

Livability: Under this caption comes the

relation of the physical features to the needs and desires of the population. Are there shops, schools, churches, playgrounds, and utilities, and are the transportation facilities adequate? Does the topography present any especial hazard? In general, are the buildings well built?

Design and layout of neighborhood: Many neighborhoods suffer from improper layout rather than lack of facilities. For instance, small but numerous parks advantageously spaced may be more desirable than one large park; shops may be scattered instead of grouped in one or more accessible locations. Property values may suffer if the type of homes built in a given area vary radically.

Type of population: Is the population homogeneous or heterogeneous? In spite of the fact that race, creed, and color have nothing to do with political considerations, they are most important in neighborhood considerations. Those being of a particular race, creed, or color have a clannish tendency, and, particularly in small communities, those who do not conform are not only looked upon as usurpers but also as detrimental to particular neighborhood values. The various age groups of the population are also important.

Legal protection: There is a growing tendency on the part of towns and cities to give neighborhoods protection via the legal method. New York City and other large municipalities have recently enacted legislation restricting the usage of large areas for dwelling use. The New York City Council now has before it a proposed zoning amendment designed to limit the use of one section of the city to residential homes. However, legal protection is important as to the time element; in too many cases protection has been adopted after the damage has been incurred. In general, legal protection is possible through three methods, as follows:

1. Zoning.
2. Deed restriction.
3. Community organization.

Planning: Is the neighborhood apt to develop along planned lines or will its growth be haphazard? Or, it may also be asked, after a neighborhood has reached its fullest development, does planning tend to delay a decline which must eventually occur in every neighborhood? The rate of decline may take ten years, or it may take a hundred years, depending on the planning. The system of roads, transportation, parks, etc. and the likelihood of encroachment of undesirable elements need careful planning for the preservation of neighborhoods.

Ownership of property: Who are the owners? Are the properties in strong or weak financial hands? If a large percentage of the population consists of nouveau riche, any slight movements in our economic system are likely to cause the collapse of many a neighborhood. Likewise, if a large percentage of ownership is vested in institutions or individuals who have foreclosed through the depression, this factor will definitely weaken a neighborhood. The number of properties for sale and the overhang of these sales in the local market also will definitely affect a neighborhood.

Local government: Property values in any neighborhood will be reflected in so far as local government is concerned through the following:

The tax rate (and assessments) in relation to value.
The local government debt and its trend.
The type of public officials holding office.

Land and buildings: The amount of vacant land in relation to the improved land has a great effect on values. Also, the type of vacant and improved land should receive serious consideration. A most important element is the size of building lots in relation to the type of buildings constructed. Recognition should be given to the present trend in cities toward the erection of buildings covering large areas instead of small lots, such as the twenty-five-foot lot which was so popular until twenty or so years ago.

There must be adequate study of the age, type, and permanency of construction of buildings. In general, homogeneity of buildings in a neighborhood tends to create value.

Social life and organizations: Protective organizations and neighborhood social institutions, while playing a smaller part in neighborhoods than formerly, still retain great importance. Occupants of neighborhoods in cities depend on physical attributes, as convenience, type of buildings, etc., but in suburbs and smaller communities the social life and social organizations rate just as high as physical considerations.

Financial structure of property: The mortgages, interest rates, supply of mortgage funds, rentals in relation to costs of properties, and the income set-up of population are directly related to neighborhood welfare and survival.

Relation of neighborhood to surrounding economic area: Neighborhoods exist and are created to serve a need. They have definite economic functions to perform in relation to a town, a city, or, in some cases, a region. The permanency of that need, particularly in a changing economic world, will determine, in the last analysis, the permanency of neighborhood values.

It has been possible to give only a slight indication of the factors of importance in each of the above. It is obvious that some could be developed at length.

BUT WHAT OF THE FUTURE?

It has already been mentioned that our changing economic life has changed the neighborhood. People no longer take root very deeply in any location, and a recent study[1] emphasized this. It is interesting to note that, while over 50 per cent of those answering questionnaires stated that the neighborhood was their primary reason for selecting their present home, 15 per cent stated that they had lived in their present location for less than one year; 16 per cent, for from one to two years; 21 per cent, for two years; 10 per cent, for three years; 8 per cent, for four years; and 10 per cent, for five years. In all, 80 per cent of the families surveyed lived in one location for less than five years. No amplifying remarks need be made here; the figures tell their own story. In the light of this survey, it is no wonder that 55 per cent of the people rent homes today and but 45 per cent own; and of the owners, not more than 30 per cent own their homes free and clear of mortgage debt.

Both in and on the fringe of many large cities, there have grown during the past two decades residential areas which might be termed pseudo-neighborhoods. These areas contain some similarity to true neighborhoods, but they can never obtain most of the elements constituting a true neighborhood as they are exogenous, in so far as political and financial considerations are concerned, to the larger areas of which they are a part. In general, these pseudo-neighborhoods contain far too dense a population to permit their evolution into true generic neighborhoods; also they can never acquire the cohesion and integration which is characteristic where a more dispersed population prevails.

At the present time, builders and city planners are endeavoring to reclaim slum areas by creating new housing on areas constituting two, three, or four square blocks in size. It is doubtful if a neighborhood can ever be virtually planted in such districts; traffic conditions, schools, shops, and many other factors usually cause such developments to be eventually subjugated and defeated by surrounding conditions. Neighborhood development has to be on a large scale, otherwise it cannot hope to succeed.

In the past, our housing for various income groups has been accomplished by means of filtration; that is, after a building depreciates—whether it is a home, an apartment, or a business structure—the one-hundred-dollar-a-month tenant leaves for a new location, and the eighty-dollar-a-month tenant moves in. As the property becomes increasingly older, it subsequently attracts the forty-dollar-a-month group, then the thirty-dollar and the twenty-five-dollar-a-month group, etc. However, today we are endeavoring to build new buildings in so far as residential property is concerned for each income group. That will mean the end of the process of filtration, and it will mean that neighborhoods will have to be better protected than heretofore.

Further, there must be a realization and a recognition in the future of the principles of obsolescence and depreciation. In the past, property has been sold—no matter when, where, why, or how—with the thought of capital gains or unearned increment paramount in the mind of the buyer. Therefore, we have not been a nation of investors—we have been a nation of speculators, and that very fact has probably caused neighborhood blight and slum areas more than any one factor.

At a salon in Paris in the fall of 1922, a manifesto accompanying the diorama of a contemporary city stated:

"The growth of every great city has exceeded

[1] *The President's Conference on Home Building and Home Ownership*, 1932, *Homemaking, Home Furnishing and Information Services*, Vol. X, p. 78.

all provision.

"The growth has been a mad one, with disturbing possibilities.

"The industrial life and the commercial life which are adjusting themselves to it are the new phenomena on an overwhelming scale.

"Means of transport are the basis of all modern activity.

"The security of the dwelling is a condition of social equilibrium.

"The great city has arisen within the framework of the old and an intense crisis has been brought about.

"This crisis is only at its beginning; it is a constant source of disorder.

"The great cities determine the life of the country. If the great city is stifled, the country goes under.

"In order to transform our cities, we must discover the fundamental principles of modern town planning."

But now, what of the future?

Which neighborhoods will live and grow—which ones will die or become infected with a dry rot and slowly decay? Can we predict the future trend of neighborhoods? When and where? it may well be asked.

Warren S. Thompson, Director of the Scripps Foundation for Research in Population Problems, once stated that in 1955 the demand for housing will be 35 per cent more than in 1930, though the population increase will be but 19 per cent. That is because as the birth rate declines we are becoming an older population.

So, for this population increase, we shall probably see the peripheries and suburbs of cities gain and increase in size. Between 1920 and 1930 the suburban rate of population increase was two and one half times that of the cities. It is Mr. Thompson's opinion that "housing demands of the less densely settled areas around the great cities may soon surpass those of the central areas." This is a hint as to where our neighborhoods are likely to develop.

So, rather than a general increase in values, this nation will most likely see value shifts in the future—that is from one neighborhood to another. As one section lives and dies, so will another one be born, and so will it live and die too. As is the law of life, so is the law of buildings, and it appears to be the law of neighborhoods too.

However, it is possible to preserve neighborhoods and for them to have a longer life than they have had heretofore. Of course, at the present time, the problem is particularly acute in view of our economic situation. At the start of the depression it was asked, "What is wrong with business?" Then, after a while, it was questioned, "What is wrong with our economic system?" Following that came the query, "What is wrong with government?" And now we all wonder, "What is wrong with our social order?" Truly, our great economic problem today is social organization, of which the neighborhood is an integral part.

Le Corbusier stated in his volume *Urbanisme:* "Things are not revolutionized by making revolutions—the real revolution lies in the solution of existing problems." Never has this been truer than it is today.

Our days of haphazard growth are over. In real estate we have been chiefly concerned with building values, and we have prodigiously wasted them at the same time. It must now be recognized that to preserve neighborhoods may be of greater and more praiseworthy achievement than to build and to create neighborhoods.

The American Rural Appraisal System

By TRUE D. MORSE, A.F.M., A.R.A.

TWO years ago I presented what was then a relatively new approach to rural appraising.

The intervening years have been crowded with intensive use and study of the system by large numbers of rural appraisers both in this country and in Canada. This use and study have brought about considerable refinement but in no way has it changed the fundamental principles.

The testing and aging process which has been taking place has greatly increased the conviction that we are headed in the right direction. Companies making large use of appraisals are continuing to change over, which is definite evidence of the growing confidence of the public in this appraisal method.

It appears that at last an "appraisal system" has definitely emerged from the maze of property inspection practices which in the past have been dignified with the term appraising. We are now building an organized, constructive method of seeking out rural property values that can, on merit, claim public confidence.

NAME

The new system has been appropriately named the *American Rural Appraisal System.* In so far as we know, this is the first *method,* or *system,* of rural appraising used in this country which makes a definite, logical, step-by-step, systematic build-up, or approach, to a final valuation figure. The use of the term "system" in the name is therefore expedient. This is truly a distinction, and this fact alone should command respect and confidence. The system had its inception in this country through a nationally composed group which included representatives from the insurance company conferences, the Farm Credit Administration, the American Farm Economic Association, the leading farm organizations, and other interested groups. Early in its development, the theory of the system came to the attention of Canadian appraisers who have since been equally as vigorous as the appraisers of this country in the use, study, and development of this method of land valuation.

We are gradually awakening to the realization that fundamental principles of appraising have broad application. They flow through both urban and rural valuation processes and are used in the appraising of all kinds of real estate. In recognition of this fact there recently has been a restatement of the principles upon which the present rural valuation processes have been built.[1]

This restatement uses terminology familiar to urban appraisers. There is no reason why rural and urban appraisers should not write and talk in the same terms when discussing fundamental principles of valuation.

CARDINAL PRINCIPLES

Appraisal value is determined by:

1. Income capitalization.
2. Comparison.
3. Reproduction cost (indirect influence of).

These are the three basic approaches to value estimates. When analyzed, other methods proposed from time to time under various names prove to be one of these three or confused statements of one or more of these basic approaches.

INCOME CAPITALIZATION

Income capitalization is the direct and primary method to appraisal value and one that lends itself to exhaustive mathematical analysis. Because of the fact that it can be developed to such a large extent

[1] *Rural Appraisal Standards of the American Society of Farm Managers and Rural Appraisers.*

from definite mathematical data and formulas, it has appeared logical to use it as the foundation on which to build.

The income capitalization approach to value is the determination and capitalization of the annual net money income. It is based upon the monetary returns that may reasonably be anticipated from the future operation of the property.

The gross income is estimated, and, from this, expenses are deducted. Typical operation and management are assumed. The net income is then capitalized to obtain the property value based upon income or earnings.

The calculation of net income upon a rental basis simplifies the process and is conducive to accuracy.

Among the pioneers in the use of income capitalization in land appraising have been the Federal Land Banks. They are compelled by law to make "the earning power of the land a principal factor in appraisal."[2] They have for years carried this as a check against the values which they set on farms by the comparative process.

The income capitalization method of determining land values, when reduced to its ultimate simplicity, shows that basically it is not a highly complicated theoretical process. This is illustrated by the following total figures taken from an actual Indiana appraisal:

Total Annual Income	$1,283.00	
Total Annual Expense	599.00	
Net Income	$ 684.00	
Income Capitalization Value at 5%		$13,680.00
Comparative Adjustments		2,080.00
Basic Value		$15,760.00

Thus, an appraisal could be made by merely setting down four expressions of opinion, i.e.:

1. An opinion as to the total annual income that a property will produce.
2. An opinion as to the total annual expense.
3. An opinion as to the proper capitalization rate to be used.
4. An opinion of the amount of the total comparative adjustments that should be made for all factors not adequately reflected in the income figure.

No one, of course, should be satisfied with an appraisal which was made upon the basis of such wholesale expressions of opinions even though that has been the accepted practice in making farm valuations until recent years.

What actually occurs is that the appraiser probably uses a hundred or more expressions of opinion as to soils, crops, acreage, yields, prices, and expense items in arriving at an estimate of future net annual income. By an equally detailed accumulation of individual opinions, some ten or twelve comparative adjustments are normally considered, so that when the basic value is finally set it is the product of two hundred or more separate opinions, most of which are recorded in the appraisal report. Contrast this with other appraisal methods where the appraiser, after viewing the property, records one "lump sum" opinion of value.

Experience shows that appraisers tend to neutralize their errors in thus building an appraisal value from some two hundred opinions. The law of averages tends to operate. Most appraisers are not continuously high nor low on the wide variety of factors with which they deal in making an appraisal. If there is serious error on one or more factors out of a total of two hundred, the error may not greatly affect the final value. On the other hand, if the value is set by the old "lump sum" method and there is an error in the single expression of opinion, there are no offsetting nor corrective factors. Such appraisals have resulted in many unfortunate farm loans and farm investments and have otherwise caused untold damage.

COMPARATIVE APPROACH

Valuation by comparison is the establishment of property value according to the known or recognized value of other

[2] C. W. Hatch, Farm Credit Administration.

comparable property or factors and elements of properties.

The basis of comparison is actual and not typical. It is based upon a complete assembly of all factual data in regard to the property, factor, or element under consideration and its comparison with other properties, factors, or elements.

The use of both the income capitalization and comparative approaches to value is necessary in every appraisal, and one should not be emphasized to the minimization or exclusion of the other.

The comparative approach is a more indirect method than that of income capitalization, but it is an equally important method of determining value. This is the process by which farm land appraisers, for years, have been setting value on land. By this method alone, and without recognizing just what they were doing and how they were doing it, farm appraisers made land appraisals upon a purely comparative basis. Although we now recognize this as an important part of the appraisal process, we further realize that when used alone it is totally inadequate.

Since this approach, if used independent of the income capitalization method, would of necessity include the income value, it is expedient to use the comparative approach as a basis of adjusting the income capitalization value.

The adjustment figures arrived at by comparison show only the value influences not already reflected in the income value.

In making comparative adjustments, both economic and home-use factors should have consideration. Important factors under each are:

Economic Uses—Location and Physical Factors.
1. Roads and transportation.
2. Marketing facilities.
3. Outside employment possibilities.
4. Community factors affecting income.
5. Nuisances.
6. Hazards.
7. Improvements.
8. Natural resources.
9. Physical features.

Home Uses—Aesthetic.
1. The home—house.
2. Yard—landscaping.
3. Recreational and scenic factors.
4. Church and school.
5. Neighbors and neighborhood.

REPRODUCTION COST

The reproduction cost approach to value estimates is given less emphasis in rural appraising than in urban appraising for a number of reasons, primary of which is the fact that the value of the land in a farm normally far overshadows the value of the improvements. It seems expedient, therefore, that the reproduction cost should be used primarily in reporting and analyzing only the value of the improvements.

Buildings and other comparable improvements are appraised upon the basis of reproduction cost less observed depreciation and obsolescence. Such appraisals of fractional parts of the property are used primarily as factual information supporting the income value and the comparative adjustments.

We have now come to realize definitely that we must think of farms as a unit and subject to valuation only as units. The old summation process has been completely discredited by both urban and rural appraisers. It is not practical nor sound to value land and improvements separately and to use the total as the value of the property as a whole. Hence, in the American Rural Appraisal System, although we make a complete appraisal of the buildings by the reproduction cost approach, the building value thus determined is used only to support income and expense items and comparative adjustments for such features as home uses.

BASIC VALUE

The basic value of a rural property is its worth derived from earnings under typical operation and from the location and other economic and home uses. It is obtained by the standard application of the foregoing principles and is determined in making every appraisal regardless of the purpose of the appraisal.

APPRAISAL REPORTS AND PROCEDURE

Appraisal reports are comprised of three methods of presentation, i.e.:

1. Mathematical calculations and analyses.
2. Descriptive or narrative statements of facts and their interpretation.
3. Graphic or pictorial presentations.

Every appraisal report covering rural real estate must make use of all three methods of reporting and interpreting facts. In an orderly method, data are accumulated and given expression in the build-up to the final value estimate. Contrast this with the mere accumulation of facts assembled in farm appraisal reports of former years, much of it on a "yes" and "no" blank-filling basis, with no thought of marshalling this conglomeration of questions and answers into an orderly array from which step-by-step conclusions could be drawn in approaching the ultimate and very vital figure which the appraiser established as the property value.

A practical procedure and logical sequence in making appraisals according to the American System is briefly as follows.

A thorough personal inspection should be made of the property under conditions favorable to a complete observation of the entire property and an accumulation of all essential facts about it.

A general map should always be made as a result of the inspection of the property. It need not have the accuracy of a survey, but it should be drawn to a definite scale and should show the following:

1. A complete and accurate legal description.
2. An outline of the property.
3. Location of important topographic and natural physical features, such as streams, ditches, timber, etc.
4. Location of improvements, such as buildings, fences, and roads.
5. Field layout and land-use map.
6. Legend to facilitate identification.

Special maps such as those showing soils are frequently used.

The maps are important graphic or pictorial presentations enabling readers of the appraisal report to visualize the property.

The data gathered in the field should be organized and written into a comprehensive report. Facts should be recorded and then interpreted both by statements and by value figures.

The document should show:

1. Date of the appraisal.
2. Description of property.
3. Basis of valuation.
4. Supporting data and analyses.
5. Conclusions.
6. Limiting conditions, if any.
7. Signature and/or certification of the appraiser.

The narrative part of the appraisal report is the descriptive or word picture of the property in which all of the valuation elements are discussed.

The end product, of course, is basic value, which is developed by determining, first, the income value and, then, by comparative adjustments, bringing this to the basic value of the property being appraised.

DISTINCTIVE FEATURES

There are a number of features which distinguish the American Rural Appraisal System from other farm appraisal methods. They can be enumerated briefly as follows:

1. The valuation process is a step-by-step analytical development.
2. The amount of value contributed by each major source is shown separately.
3. Farms are appraised as units and not by a summation of land and building values.
4. The income value is calculated first.
5. Income and expenses are based upon typical operation.
6. By the comparative process, adjustments are made of the income value rather than by setting up a complete independent value.
7. Adjustments are based upon comparisons with the actual. (Assumed additions or improvements are never used as a basis for comparison.)
8. Both the income capitalization and comparative approaches are used in every appraisal.
9. Basic value is determined in making every appraisal.

10. Various kinds of value, or values for different purposes, are departures from basic value.

CONCLUSION

The varied methods of individuals and organizations undertaking to set values on rural property made it timely and expedient that some definite appraisal system be developed. To that end, the American Rural Appraisal System has met a long-felt need. As it undergoes further refinement through continued use, there should be a great increase in public confidence in the work of rural appraisers who follow such a detailed, organized, systematic approach to appraisal values.

Realtors and the clients of Realtors should welcome a system that gives dependable values upon which to base loans, purchases, sales, and all types of farm real estate transactions.

EDITOR'S NOTE: Articles by Mr. Morse which deal with the principles of the American Rural Appraisal System have appeared in the following issues of the JOURNAL:

"The Influence of Special Assessments on Farm Values," July, 1935.
"Estimating the Value of Farm Lands," April, 1936.
"Data Program for Appraisal of Dairy Farms," January, 1937.
"The Gyroscope of Rural Appraisals," July, 1937.
"Ranch Appraising," October, 1937.

More about Cemeteries

THE United States Circuit Court of Appeals for the Fifth Circuit handed down its decision in the case of *West View Cemetery Association, Petitioner, vs. Commissioner of Internal Revenue, Respondent,* on March 28, 1938. The majority opinion of the three-judge court, as digested, is given in the following paragraph:

"March 1, 1913, value of cemetery lots: Board's findings not substantiated by evidence. —The Court holds that the well-settled rule that if the findings of the Board are supported by substantial evidence they will not be disturbed, has no place in this case for the reason that there is no satisfactory evidence to support the Board's valuation as of March 1, 1913, of cemetery lots sold from improved and semi-improved land during the years 1930 and 1931. Instead of using the prices at which similar lots were sold in 1913, with deduction of the proper square-foot cost as regards semi-improved lots to bring them up to the standard of lots in the improved area, the Board erroneously used a theoretical basis that the value of the acreage as a whole must be determined by applying a discount formula which takes into consideration the time element as to, and the rate of sale of, the lots as a whole. Dissenting opinion filed."

A dissenting opinion was rendered by Circuit Judge Sibley, in which he approved the principle of the discount theory.

This decision is interesting in the light of other cemetery cases discussed in the April and July, 1937, issues of the JOURNAL.—Ed.

Comment and Discussion

Kazdin—ON LAND

ALTHOUGH long experience and a reputation for scrupulous integrity are important qualities to be expected of the real estate appraiser, it does not follow necessarily that all members of the real estate fraternity who possess these qualifications make good appraisers. By the same token, a good appraiser might make a poor real estate broker or building manager. It seems fair to say that there are many more individuals of long experience and training in real estate who excel in the other important branches of the business. Then again, there are some appraisers who have a special aptitude for their work which is not common to their confreres. A judicial temperament, certain analytical and diagnostic ability, and something we like to speak of as real estate "sense" are qualities which distinguish these men and produce better judgments of property values.

I refer to these things because recent progressive thinking has made available various devices and techniques which, in the hands of capable appraisers, enable them to produce better work. In the hands of others they may prove detrimental.

We all know there is no exact value, but, nevertheless, the wise appraiser is constantly striving to narrow the field within which his estimates should fall. To him, tables, rules, and formulas are simply very handy instruments. "Residuals," "split rates," "formulas" for depreciation and obsolescence, and speculations about "highest and best use" are useful to the process by which we form a final judgment as to value. In no case are they substitutes for sober judgment, based upon a careful study of all the facts and circumstances which control the value of any particular property. By no means should they transcend in importance the influence of economic and social trends, costs of construction, careful judgment as to income and expenses, and the study and analysis of real estate transactions, earning ratios, and other market phenomena.

We, in the Institute, however, should be careful not to stress too much the scientific and technical aspects of appraising to the exclusion of practical demonstrations of actual cases. Particularly should we review the mistakes we have made in the past and the appraisal of problem properties. This should be the subject matter of more frequent discussion in the JOURNAL and by the members.

Let us examine for a moment the practice of estimating "highest and best use" in order to find the value of a plot of land underneath a building. We constantly hear the term used by appraisers and usually in conjunction with "split rates" and the residual process. Skyscrapers less than ten years old are torn down like tissue paper and new buildings are erected "in the flash of an eyelash." "Economic" value is established for land with disregard for its availability and other factors which influence its value. The tall apartment property constructed during the optimistic era of the late twenties, which rents for one half of the amount it grossed at that time, is an evident overimprovement today and accordingly suffers a great economic loss. Usually, the problem for the appraiser is to find the value of the entire property as a single entity. He should avoid the pitfalls which are created when he is asked to allocate this value between the land and the building separately or to establish the loss through economic obsolescence. It is then that the appraiser is faced with the problem of estimating "highest and best use" and resorts to the residual process. He establishes his land value first by imputing to it the residual income after satisfying the financial requirements of a

hypothetical and different improvement which he has created on paper. This "economic" land value established, he then arrives at the value of the building by capitalizing the residual income imputable to it. It has been my observation that usually no allowance is made for the cost of demolition or for the absorption of residual building value or for the fact that economic conditions would not justify the construction of his hypothetical building in actuality until some future date with the resultant necessity therefore of taking time "discount" and allowing for carrying costs.

The "highest and best use" of a piece of city land is a contemplation which would vary with the stage of the economic cycle we happen to be in when we are making our estimates. If we are in the throes of a depression with stoppage of building, falling rents, excessive vacancies, a dearth of mortgage money, and increasing foreclosures, buildings become over-improvements in large numbers and the estimate of best use may be easier to theorize about than to see accomplished. Conversely, in a period of prosperity, plentiful money, increasing rents, and general real estate market activity, buildings may become under-improvements, and the estimate of the "highest and best use" of a plot of land takes on the roseate hue of enthusiastic optimism. The practice of erecting a hypothetical building in order to find the land value strains the intelligence when we have a property which it obviously does not pay to tear down. Certainly the land under such a building would not have a value equal to that of a vacant lot which is available for improvement. The mistakes in estimating the "highest and best use" of land at different periods in the long real estate cycle are potent causes of most of our mortgage and financial difficulties.

The market value of a plot of vacant urban land is what it *should* sell for in the market place. The interplay of various economic forces and other conditions that affect the market would naturally have an important bearing on the value of any particular plot. Hypothetically, a building constructed ten years ago at the top of the real estate cycle may be a serious over-improvement now, and it is likewise possible that a building constructed now at the bottom of a cycle may become an under-improvement when the cycle has turned and the present over-improvement may again become the proper improvement. The practice of finding the theoretical "economic" value of land today which is improved with comparatively new buildings and merged into single entities may result in very serious and wide fluctuations in the establishment of the land and building values separately. Too often in the cases of uneconomic improvements, appraisers charge too much of the loss from obsolescence to the building and do not charge any or enough of it to the land. The important thing at all times is the valuation of the property as a whole. The value of land which is improved with a building may be simply a good guess, but, if we must state its value separately, it should fall within logical limits, one of which might be its theoretical value under a more suitable improvement.

S. EDWIN KAZDIN, M.A.I.
New York City.

* * *

Hunnicutt—ON "EXPERT" TESTIMONY

ONE of America's eminent jurists has stated, "There are three kinds of liars—the plain, everyday, common variety; the damn liar; and the expert witness."

I once met a friend of mine—a judge on the bench—just after he had finished hearing expert medical testimony in a damage suit. Commenting upon the evidence of the various physicians on both sides, he said, "The Psalmist said in his haste, 'All men are liars,' but he didn't need to be in such haste about it, especially concerning expert witnesses."

These two statements are, I believe,

illustrative of the popular conception of *expert* testimony. I share with a lot of people an intense dislike for the designation of court testimony given by trained and experienced men as *expert* testimony. In short, I do not like the word *expert.* Somehow it smacks too much of something I am unable to explain. I have talked with many people who likewise harbor a sincere distaste for that word *expert,* and yet not one of them can tell just why he does not like it. I have tried by introspective methods to determine why I have such a bitter dislike for the word, and I think I have traced it to two definite reasons, to wit: first, a prejudice against the real estate evaluator who insists he is an expert; that the appraisal of real estate is an exact science; and that, after using certain "scientific formulas," he can say with Shakespeare, " 'Tis exactly valued." He is cocksure that through these formulas he can value a property of any magnitude in odd dollars, and even down to the last penny. I refer to the fellow who, either in his appraisal report or on the witness stand, will make a statement such as, "It is my opinion that the property has a fair market value of *two hundred twenty-one thousand, four hundred sixteen dollars and forty-eight cents.*" In this instance, the sixteen dollars is farfetched and the forty-eight cents ludicrous. As one lawyer aptly remarked following similar testimony, "The cents don't make sense."

The valuation of real estate, contrary to what many of us would like it to be, is not and can never be an exact science. It can never be a combination of rules and formulas which, taken together, will bring the exact answer. The fair market value of a property can never be determined down to a few odd pennies. The appraiser who insists that it is an exact science and that he can so expertly value property is not only subjecting himself, but all qualified appraisers as well, to ridicule. Such policy does not contribute in any manner to the establishment of public confidence in the work of the trained and experienced appraiser.

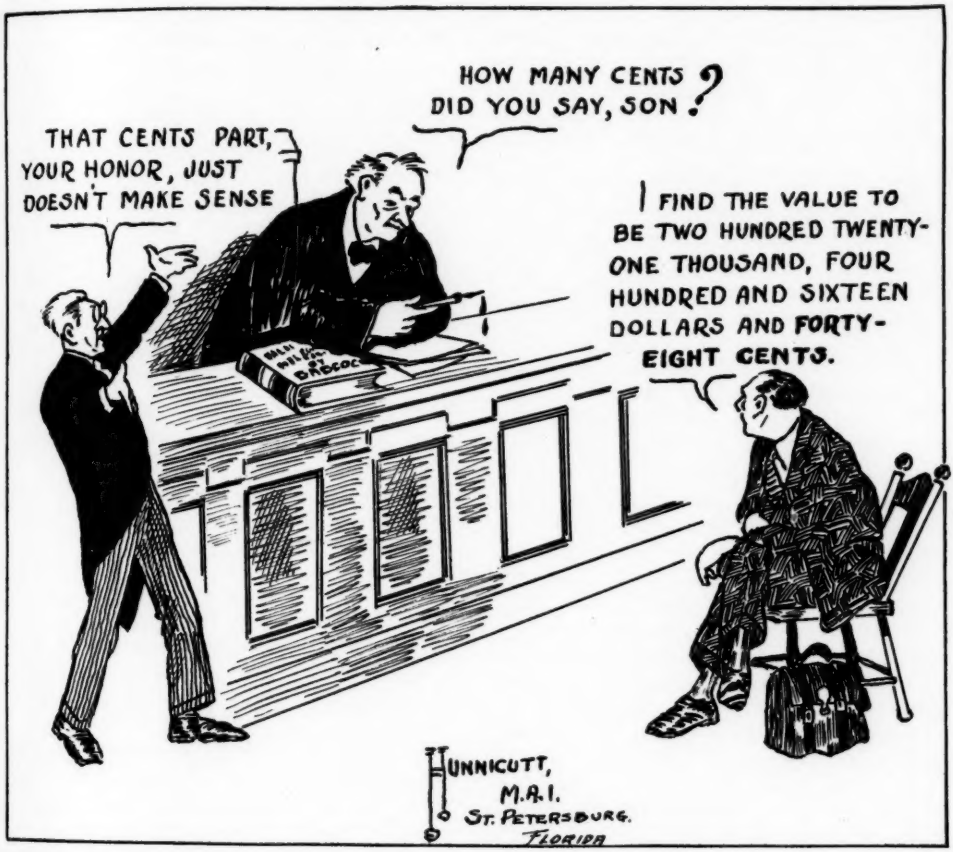
Our firm recently had occasion to have a building erected for one of our clients. A competent architect drew the plans and prepared the specifications. Six A-1 contractors each took a set of plans and specifications, and, yet, when their bids were opened, they ranged from $15,000 to $25,000, a difference of $10,000 on a building with a maximum construction cost of $25,000, and all bids were based upon the same identical plans and specifications. But, to hear some appraisers talk, they could value that same property (or much larger ones for that matter) to the exact penny, without even a reasonable doubt as to the accuracy of the odd cents. I feel sure no further comments are necessary to show my meaning. Such exact valuations do not fool the court nor jury; they do not fool the client nor the public—and possibly not even the party who makes such an appraisal.

The second cause for my dislike of the word *expert* has been created, I am sure, by the appraiser who, consciously or unconsciously, assumes the attitude of an attorney in a case. He feels and sometimes will openly state that, when employed by a client, it is his duty to render for that client the kind of valuation he wants, the one that will be most helpful to him in his case. I have seen testimony of this type so prejudiced and colored that the opinions, and even the data upon which the opinions were based, were ludicrous and pathetic.

And so, you have probably surmised by this time, I do not like the word *expert.*

Notwithstanding my dislike for it, I have not been able either to find or devise a better word for it. Definitions of the word *expert,* especially when used in a legal sense, are sufficiently flattering to appease the dislike of any appraiser for the word:

> "A person who, by virtue of special acquired knowledge or experience on a subject, presumably not within the knowledge of men


HOW MANY CENTS DID YOU SAY, SON?
THAT CENTS PART, YOUR HONOR, JUST DOESN'T MAKE SENSE
I FIND THE VALUE TO BE TWO HUNDRED TWENTY-ONE THOUSAND, FOUR HUNDRED AND SIXTEEN DOLLARS AND FORTY-EIGHT CENTS.
HUNNICUTT, M.A.I. ST. PETERSBURG. FLORIDA

generally, may testify in a court of justice to matters of opinion thereon, as distinguished from ordinary witnesses, who can in general testify only to facts."

There is certainly nothing offensive about the word in such a definition as that. While dressed in more formal language, its meaning is substantially the same as the explanatory statement contained in the second paragraph of Robert F. Bingham's splendid article on "The Expert Witness from the Lawyer's Point of View," in the October, 1937, issue of the JOURNAL.

At this juncture, the question might be asked in modern parlance, "Well, you do not like the word *expert*, and you admit you cannot find or devise a better one, *so what?*"

There is an answer, in my humble judgment, and a good one. If we cannot find a better word, let us so conduct ourselves as to create respect for it on the part of the court, the jury, other appraisers, and the public in general.

May I not take this opportunity to express appreciation for Mr. Bingham's fine article? It deals admirably with the question of expert testimony from the lawyer's viewpoint and should be a valuable aid to any appraiser called upon for court testimony. With his permission I merely wish to add one "do not" to those listed in his article; it is, *"Do not try to*

be too expert!"

WARREN P. HUNNICUTT, M.A.I.
St. Petersburg, Florida.

* * *

Patt—ON CAPITALIZATION RATES

MR. R. M. FISCHER'S discussion of the "Economic Background of the Capitalization Process," in the October, 1937, JOURNAL was particularly interesting to me because of his analysis of the many complex forces that act on prices and rates of interest. Capitalization rates are influenced by these same forces. An appraiser, of course, cannot predict short- or long-term economic cycles, but every appraisal he makes is based upon his forecast of the future.

In the section of his article devoted to prices and the rate of interest, the Irving Fisher table, "Rates of Interest in Relation to the Annual Rates of Change in the Price Level, New York, 1860-1927," was reproduced. This table shows the tremendous variation during relatively short periods of the real return to the investor measured in commodities instead of the per cent return called for by the bond or investment. Investors during certain periods, while receiving their annual interest return, were suffering a loss in the purchasing power of the capital invested which more than absorbed the interest return.

Mr. Fischer listed the devaluation of the gold content of the dollar, the easy money policy, and the increase in bank reserves as likely causes of a substantially higher price level within the next few years. He pointed out that under such conditions capitalization rates applicable to long-term investments should be increased to offset the expected loss of purchasing power.

Interest rates, however, have continued to decline, and the investing public is satisfied at present with extremely low yields. Our present recession may be an indication that investors believe that the low rates are artificial and fewer and fewer long-term investments may be made until the situation is corrected.

The compilation of the Irving Fisher tables, showing changes in real return during varying periods, was indeed a statistical job. It has occured to me that similar historical tables, showing a comparison of capitalization rates used and actual return from properties appraised during the last few years, would be of value to appraisers. The establishment of such tables would necessitate a tremendous amount of research work and is probably not practical under present conditions. It is a subject that The National Real Estate Foundation will undoubtedly investigate when it begins its research work.

I have found very little published data or information on methods for the selection of the capitalization rate. The very fine article by Dr. Thurston H. Ross, entitled "Rate of Capitalization," published in the July (1937) JOURNAL, is one of the few I have seen. My first introduction to a scientific attempt to select capitalization rates was when I attended the Institute's appraisal courses at the University of Chicago in 1936. I was tremendously interested in the two techniques developed for the selection of capitalization rates by Mr. George L. Schmutz and Dr. Thurston H. Ross. These two have done marvelous work in the construction and analysis of the rates of capitalization. The selection of a particular rate is logically supported by either Dr. Ross's "Band of Investment Theory" or Mr. Schmutz's theory of the "Composition of the Rate." Either theory will justify and support the selection of a particular rate.

Even with information and assistance from these theories, the selection of the proper rate of capitalization is very difficult. As a mortgage loan broker, I have seen the acceptance or rejection of loans depend upon a variation of less than one half per cent in the rate of capitalization. Even one fourth per cent may make a variation of many thousands of dollars in

the appraised value of a large income property. Either the owner or the mortgagee may be penalized if the correct rate is not selected.

At the present time, risk is recognized as one of the most important factors in the rate of capitalization. It is possible that our capitalization rates fluctuate in a much wider range than we recognize. We are accustomed to rates of from 5 to 9 per cent and speak of real estate as being a nonliquid asset and of the real estate market as being frozen at times. These may be because we are too rigid in our capitalization of the earnings produced by real estate.

Stocks and bonds have a much wider and more established market than does real estate, but, prices of stocks and bonds fluctuate from day to day, and wide variations occur during relatively short periods. An income property that could not be sold upon an 8 per cent basis might attract hundreds of buyers if offered at a 10 or 12 per cent rate. Appraising is not an exact science and never will be. Articles such as the one by Mr. Fischer will assist us in selecting proper capitalization rates, and I am looking forward to the time when much more information on this subject will be available.

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The Appraisal Docket

Cases, decisions, and other matters involving rulings and precedents affecting real estate and valuation.

William Wilson, Editor
John C. Butler, Assistant Editor

IT is our purpose at this writing to run the gamut from cookies to constitutions. This is purely fortuitous, for our material has thus indeed come to us; but we cannot resist adding parenthetically that this extreme and at first blush ridiculous range is but illustrative of the diversities which are characteristic of any business or profession which treats with human conduct. And how inextricably the profession of appraising is bound up with the interactions of men upon men may in some degree be shown in the following comments.

* * *

THE DOG CHASES HIS TAIL

THE study of the development of the jury and of the procedure of the jury trial is of absorbing interest to those people who are so constituted as to be discerning historians or genuine fishermen. It consists of a study of formalism which proceeds in the geometric ratio (and which betimes all unwittingly contains an unsuspected truth) though as often as not of a formalism which becomes self-stifling, as witness the origin of chancery practice. For chancery was the justice of men and not of law (albeit its measure was the length of the chancellor's foot) and arose through the sheer necessity of escape from the legalistic rituals and incantations whose seeming purpose was the edification of the means rather than the attainment of the ends. Apropos of the subject, the freshness of chancery practice is now a matter of the past, though statutory resuscitatives have spasmodically rouged its former bloom. In its place is borne a new freshness (or fable, if you will): justice, not of law and not of men, but of commissions!

Generically, we are referring to the mushroom growth of commissions and administrations and boards and bureaus and authorities, all designed for the attainment of justice (i.e., the utmost to the most in derogation of the foremost) through the regulation and proper confinement of man's atavistic rapacity.

Specifically, the supplantation of the jury by the commission in eminent domain proceedings is by now a growing fact, an obsolescent wonder. We are given to understand that the simplicity of the latter will, in accordance with the modern tempo, speed up, be cheaper, and do more justice than can the cumbersome jury. But those who are so constituted as to be discerning historians or genuine fishermen will pause—an annoying habit—before committing themselves to the infectious admiration. Perhaps such pauses are not in vain. Michigan, for example, has made statutory provision for commissioners to assess damages in condemnation cases. And the Michigan courts have truly belabored themselves to give effect to the raison d'etre, as witness the case of *In re Dillman*, 263 Mich. 542, 248 N.W. 894 (1933). There it was sagely pronounced (page 896):

> "In determining whether there has been error in rulings by the commissioners the nature of proceedings of this character must be borne in mind. While such proceedings are subject to judicial supervision and review, strictly speaking they are not judicial proceedings. Instead, they are inquisitorial in character. The commissioners are judges of both the law and the facts and they are vested with a large discretion in the matter of taking testimony and in the general control of the proceedings. They are not bound by 'the strict rules of evidence and technicalities of trial in nisi prius courts.'"

But the faith which this bold pronouncement may give is almost shaken when the Court proceeds to say:

"The commissioners' rulings against offers to

show sales of property as bearing upon the question of value violated the rules governing the admissibility of testimony applicable to court procedure. The general rule is elementary that proof of a sales price is competent testimony of value." (Page 896)

However, assurance is again restored when the Court thus quotes from the testimony which concerned the conduct of the hearings:

"'Why, there was so much apples and cookies and everything, that I think everybody did their part. I don't think there was anybody there hardly that did not bring in apples, or cookies or candy or cigarettes.'" (Page 897)

and comments thereon in the following vein:

"We are not impressed with appellants' claim of prejudice based upon the charge that one of the property owners gave one of the commissioners a dahlia bulb while these proceedings were pending, or that during recess time at one of the hearings cookies which came from the home of one of the property owners were handed to one of the commissioners and subsequently served to those in attendance by one of the attorneys for appellants." (Page 897)

However, the discerning historian and the genuine fisherman will here perhaps profess to discern the fertile ground upon which the seeds of formalism have already been sowed. To their minds, history is made again, and again becomes history. To their minds, the ghastly touch of channelized procedure will inevitably be laid upon this commissioned justice. They will think, either in incredulous faith or sheer desperation, as did Emerson:

"Our life is an apprenticeship to the truth, that around every circle another can be drawn; that there is no end in nature, but every end is a beginning; that there is always another dawn risen on mid-noon, and under every deep a lower deep opens."

* * *

THE VALUE OF A MORTGAGE

AND now to pass from philosophical rambles to practical realities. If you were asked to place a value upon a mortgage, how would you proceed? Would you answer that the value of a mortgage is the value of the property concerned less the cost of foreclosing the mortgage? Perhaps some would not answer in such categorical fashion, but would add that there is to be considered in connection with the value of the land the state of the market for purchases at forced sale, the financial responsibility of the obligor, and the human equation (e.g., pride in meeting one's obligations). If you would qualify your answer thus, you would agree with the decision of the New York Court of Appeals (the highest New York court) as set forth in *Re New York Title and Mortgage Company*, —— N.Y. ——, 13 N.E. (2d) 41 (1938). Such case involved the claims of four holders of mortgage guaranties made by the named company. (For the convenience of those who would pursue the subject further, the claims and the method of their evaluation by the Superintendent of Insurance are set forth in the Addenda following this column.) By statute it was provided that "no claim of any secured claimant shall be allowed at a sum greater than the difference between the value of the security and the amount for which the claim is allowed, unless the claimant shall surrender his security to the superintendent in which event the claim shall be allowed in the full amount for which it is valued." In no instance had the mortgages concerned in the several claims been foreclosed. Since then the only thing the claimants had in their possession was a mortgage and not real estate, the Court argued that the mortgage should be valued as a mortgage and not upon the underlying property. Two of the four claimants were holders of split or participation shares or certificates in mortgages guaranteed by the company. The Court approved an additional deduction of 15 per cent in the evaluation of the security because of their fractional nature and therefore the recognizedly inherent additional expense in their foreclosure. This theory is explained (page 45) as follows:

> "It is said by the stockholders that the loss resulting from the necessity for concerted action can be no more than the cost of reorganization plus the fees and administration expenses of the trustees appointed for that purpose. Doubtless this may be true in some cases. We cannot say that it will necessarily be true for all participation claimants. The larger the group the greater must be the difficulty in disposing of the security piecemeal. When the number is relatively large so is the hazard that some will be unable to bear their respective portions of the common load. Quite probably there are other substantial loss factors where group action must be had. In each case such variants can be weighed only by the trained good sense of administrative judgment. The superintendent tells us that he has no purpose to adopt as a rule of thumb the requirement of a deduction of as much as 15 per cent. for all cases wherein control of the security is divided. Situations may be presented, he admits, where a lesser allowance (or none at all) will be called for by the fractional character of the security. It would not be helpful to set forth the circumstances upon which the size of this additional deduction was here defined. For all that we know 15 per cent. was not too much so far as the two claims in question are concerned."

However, the decision of the Special Term and its affirmance in the Supreme Court (251 App. Div. 415, 297 N.Y.S. 52) was reversed because of the inadequate explanation of the theory by

which the several claims were valued and further to permit of cross-examination thereon.

We shall hazard the guess that this method of evaluation will, after much circuity necessitated by the introduction of so many collateral issues, reach practically the same result as if the mortgage were in the original instance valued upon the underlying property less the costs of foreclosure. If this conclusion is correct, the decision is to be criticized for the then unnecessary details it permits to be shown.

The case is interesting, however, not only for its novelty in the specific field of real estate valuation, but generally because of its very novelty. That a mortgage should come to be valued as a chose in action is a far cry from the day when such was considered an estate, or more latterly as an interest, in land, upon which we are moved to remark that strangely enough the law does grow.

* * *

DAMNUM ABSQUE INJURIA
(Injury without Legal Redress)

IT is a cardinal principle of the law of eminent domain that no property shall be taken without just compensation being made therefor. This is so by constitutional injunction: a guarantee which was one of the reasons and results of the Revolutionary War. Indeed, if by statute or by constitution it is not explicit, by interpretation the word "taken" is given the additional meaning of "destroyed" or "damaged." And yet contrarily enough, there are many instances of damage to land (including therein the inevitable concomitant of diminution in its value) for which no legal redress is permissible. This inconsistency which arises in our courts may give succor by example to our ready Senator from Arizona, who sought to justify the vacillations of the weathervane by his professed distrust of hobgoblins and his seeming abhorrence of little minds. In the case of the courts, however, the matter is not of concern for the spiritual but, it may be suspected, of concern for the finances of the state. As a result we are furnished with many pretty examples of casuistries which would even make the Grecian sophists cough in their throats.

Our inquiry along this line was started by the recent case of *Cuneo* v. *City of Chicago*, 292 Ill. App. 235, 11 N.E. (2d) 16 (1937), for the facts there are quite unusual. The holder of a ninety-nine year leasehold brought suit for damages against the city of Chicago caused by the change in grade of the two intersecting streets (Clark and South Water) upon which his property fronted. In 1916 and 1917 the plaintiff erected an eight-story office and store building at a cost of approximately $180,000; at that time the two streets were on a level plane with sidewalks and roadways; the neighborhood was a nationally known central produce market whose tenants were persons related to such market business. In 1925 and 1926 the city of Chicago built a two-level street in South Water Street (the upper level being known as Wacker Drive) and raised the grades of the intersecting streets to provide for their approach and entrance upon the upper level. The result of this work was, firstly, to impel plaintiff to remodel the entire first floor and basement of the building so as to make them conform with the elevations of the upper and lower level and, secondly, to change most sweepingly the character of the neighborhood, resulting in the removal of the produce market. The jury found that the damages suffered by the plaintiff in his remodeling were more than offset by the increased market value of the property as a result of the change in the character of the neighborhood and, therefore, assessed no damages. Plaintiff sought to show that ordinance for the improvement provided that its cost should be paid by special assessment; that in the County Court proceeding for the confirmation of the assessment against plaintiff's property there was a finding that such would not be benefited by the improvement, and the assessment against plaintiff's property was, therefore, cancelled. The Court in this damage suit ruled, however, that such finding of the County Court was not *res adjudicata*. Plaintiff further sought to show that the decline in rentals of the property following the improvement was due to the removal of the market business. But the Court held that such diversion of business from plaintiff's property (with the incident decrease in rentals) was an element of damages for which no recovery could be had. This flies right in the face of the constitutional provision of Illinois that "private property shall not be taken *or damaged* (italics ours) for public use without just compensation." Is there any reconcilement in this inconsistency? None, unless it be explained by the following language taken from the case of *Hohmann* v. *City of Chicago*, 140 Ill. 226, 29 N.E. 671 (1892) (wherein the Court denied damages which resulted from diversion of business from plaintiff's saloon due to the erection of a viaduct over the street whereon it was situated):

> "But this [diversion of business] constituted no element of legal damage. Admitting the plaintiff's right to have said avenue so kept as not to cut off free access thereto from his premises, he had no vested right in having it so kept as to attract the largest amount of travel by his premises, so as to bring the largest number of customers to the bar of his saloon. The improvement of the avenue by building a safe way over the numerous railroad tracks in Kinzie Street was a legitimate improvement, but if in consequence of it the plaintiff's premises were cut off from proper access to the avenue, that was a matter which

it was proper for the jury to consider in determining whether he was entitled to damages. But the effect of the viaduct upon the amount of general travel by the public along the avenue is quite another question. That is a matter in which the plaintiff has no legal interest." (Page 231)

The casuistry in this decision is apparent. To state that one has no vested right in maintenance of one's premises so as to attract travel past it is by no means a denial of damage resulting from diversion of business or an excuse for not making recompense for such damage. The fact that your property must yield to public improvement is not an excuse for disregarding payment for injuries suffered thereby, but rather the very reason, in a social system such as ours, why damages should be given.

It is amusing to note that the decision does not cut both ways: e.g., suppose that by reason of a public improvement business is not diverted but added. In such event, the assessment may be based upon the increased value of the property which results from such additional business. *City of Chicago* v. *Farwell*, 284 Ill. 491, 120 N.E. 520 (1918). This is only sound; but the efforts at reconcilement with the former decision are always productive of sophistry. In the last named case such effort was hardily attempted:

"The appellants' [property owners'] objection is that the relief of traffic congestion, upon which to a large extent the appellee's [the city's] witnesses based their estimate of benefits, cannot legally be the basis of such an estimate. It is argued that the elements of benefit which will support a special assessment must be of the same character as the elements of damage against which it may be set off, and the case of *Hohmann* v. *City of Chicago*, 140 Ill. 226, and *City of Chicago* v. *Spoor*, 190 id. 340, are cited, holding that the construction of a viaduct whereby the general travel of the public past the plaintiffs' premises on the street was diminished was not an element of damage for which the plaintiffs could recover. The argument does not apply here. In those cases there was no question of an interference with business by the cutting off of access to the premises. It was only the general travel of the public on the street which was affected, in which the plaintiffs had no legal interest. The benefit which is claimed to be derived by the appellant's property here will not be affected by the general travel on the street. What will affect this property is the furnishing a new street to it and the removal of an obstruction to traffic." (Page 499)

In all fairness to the subject at hand we are compelled to cite the case of *Alabama Power Co.* v. *City of Gunterville*, —— Ala. ——, 177 So. 332, (1937). There the Alabama Power Company sought to restrain the erection by the defendant city of a competing and tax-free electric distribution system which would receive its power from sources subsidized by the Federal government. It was conceded that plaintiff's franchise was not exclusive; the defendant city could grant a competing franchise to a private individual or corporation. The plaintiff feared, however, the ruinous competition of the modern yardstick. The injunction sought was denied by the Court, which overruled plaintiff's contention that such action would be in violation of the Alabama constitutional provision on eminent domain which commands compensation for property taken, injured or destroyed. It may be asked whether this decision, which seems sound, is not in logic compatible with that of the *Hohmann* case and in explanation of it. The language of the Alabama Supreme Court answers this aptly when it is said that such constitutional prohibition relates only to that property in which by reason of the acts of the State (or other authority) "there will be occasioned some direct physical disturbance of a right, either public or private, which the owner enjoys in connection with his property, and which gives it additional value, and that by reason of such disturbance he has sustained some special damage with respect to his property in excess of that sustained by the general public." (Page 339)

But now to pass from sophistry to socialism. We are now in a field wherein we are prone to condemn without pity. We refer specifically to the emasculation of specific constitutional principles by the application of the conveniently nebulous and preamble — conferred police power (i.e., the condonation of acts done in the general welfare) of the State. Such emasculation will, if carried to its logical end, effect the abolition of those principles upon which our governments (i.e., State and Federal) were founded. A case in point is *West Brothers Brick Co.* v. *City of Alexandria*, —— Va. —— ,192 S.E. 881 (1937). There plaintiff had purchased an eighteen-acre tract in 1927 for $47,000, intending the subsequent use of the clay deposits there. At that time only one fifth of the land was within the city limits. In 1931 (the city limits having meanwhile expanded to include the entire tract) the land was zoned as residential. Plaintiff wished to utilize it in the industrial purpose for which it was acquired and to that end sought a declaratory decree quieting its title and use and enjoining interference by the defendant city. Relief was denied, the Court saying:

"Conflicts between constitutional guaranties and the police power constantly arise, and indeed are inevitable." (Page 885)

"These principles are well recognized in Virginia. Private property shall not be taken or damaged for public uses without just compensation. Constitution of Virginia, §58. Likewise we are told that the exercise of the police

power of the state shall never be abridged. Constitution of Virginia, §159. We would be less than frank if we did not concede that those two great principles clash at times." (Page 887)

We recognize the force of the Court's remarks. But we are compelled to criticize severely the Court's conclusions:

"Next it is said that complainant's property has been both damaged and taken without just compensation, contrary to the provisions of §§ 6, 11 and 58 of the Constitution of Virginia. Plainly this property has not been taken although it has undoubtedly been damaged, but, as we have seen, that damage which is incidental to the lawful exercise of police power is not the damage contemplated by these protective provisions invoked." (Page 888)

That a specific injunction should be rendered nugatory by a generalization is not good law or good logic. Therefore, the admission of the lawful exercise of the police power should not be pleaded in bar of its injurious consequences. To hold as the Virginia Court has done is to give sanction to all acts of the State, so that they be in the lawful exercise of the police power. Freedom of religion may by the same token be curtailed or abolished.

Yet the Virginia case is in accord with the usual decision on this score. Cf. *Forbes* v. *Hubbard*, 348 Ill. 166, 180 N.E. 767 (1932). And such *damnum absque injuria* is not within the protective scope of the fourteenth amendment to the Federal Constitution. *Hadacheck* v. *Los Angeles*, 239 U.S. 394 (1915).

* * *

ADDENDA

1. The Ryder Claim (made by the holder of a policy guaranteeing payment of principal and interest of a whole mortgage of $5,500).

"Face Amount of Claim:

Principal		$ 5,500.00
Accrued interest		113.44
Total		$ 5,613.44
Value of Real Estate:		
Two-story store and apartment building, good condition, fully occupied by one tenant at annual rent of $1,200:		
1935 Assessed Value	$10,000.00	
Value estimated by appraiser	8,500.00	
Value of Mortgage as Fixed by Appraiser:		
55.3%* of appraised value of real estate		4,700.00
Computation of Amount Allowable:		
Face amount of claim		$ 5,613.44
Less appraised value of mortgage		4,700.00
		$ 913.44"

2. The Martin Claim (made by the holder of a policy guaranteeing a half interest [$12,450] in a whole mortgage of $24,900).

"Face Amount of Claim:

Principal (½ of $24,900)		$12,450.00
Interest thereon		723.38
Total		$13,173.38
Value of Entire Real Estate:		
Property 100% rented with annual income of $5,322:		
1935 assessed value (City Tax Records)	$33,000.00	
Value estimated by appraiser	22,000.00	
½ of estimated value of real estate (less ½ of arrears in taxes—$880)		10,120.00
Value of $24,900 Mortgage as Fixed by Appraiser:		
66⅔%* of appraised value of real estate		$14,666.00
Less arrears in taxes		1,760.00
Total		$12,906.00
Value of Claimant's ½ Interest in Mortgage As So Appraised:		
½ of appraised value of mortgage		$ 6,453.00
½ of balance in assignment of rents account		173.35
Total		$ 6,626.35
Computation of Amount Allowable:		
Face Amount of ½ interest in mortgage		$13,173.38
Less appraised value of ½ interest in mortgage		6,626.35
Amount Allowed		$ 6,547.03"

3. The Schwer Claim (made by the holder of a guarantee mortgage participation certificate of the face amount of $5,000, in Series N-20, issued against a single mortgage of $350,000).

"Face Amount of Claim:

Principal (1/70th of $350,000)		$ 5,000.00
Interest thereon		348.96
Total		$ 5,348.96
Value of Real Estate:		
1935 assessed value (City Tax records)	$500,000.00	
Value estimated by appraiser	430,000.00	
1/70th of estimated value of real estate		6,142.85

Value of $350,000 Mortgage As Fixed by Appraiser:		
Approximately 66⅔%* of appraised value of real estate		$286,000.00
Value of Claimant's Interest in $350,000 Mortgage As So Appraised:		
1/70th of appraised value of mortgage	$	4,086.00
Less 15% deduction because of fractional interest		613.00
Net Appraised Value	$	3,473.00
Computation of Amount Allowable:		
Face amount of claim	$	5,348.96
Less appraised value of claimant's interest in mortgage		3,473.00
Amount allowed	$	1,875.96"

4. The Berlenbach Claim (made by the holder of four guaranteed mortgage participation certificates aggregating $15,000 in Series B.N., a group series issued against two mortgages on separate parcels of real estate, the mortgages aggregating $194,500).

"Face Amount of Claim:		
Principal (30/389 of $194,500)	$	15,000.00
Interest thereon		331.27
Total	$	15,331.27
Value of Real Estate:		
1935 Assessed Value of property under $59,500 mortgage	$	65,000.00
1935 Assessed Value of property under $135,000 mortgage		140,000.00
Total		$205,000.00
Value estimated by appraiser on property under $59,500 mortgage	$	66,000.00
Value estimated by appraiser on property under $135,000 mortgage		160,000.00
Total Estimated Value		$226,000.00
30/389 of estimated value of such properties		17,400.00
Value of Mortgages As Fixed by Appraiser:		
$59,500 mortgage (65%* of appraised value of real estate)	$	43,000.00
$135,000 mortgage (57.8%* of appraised value of real estate)		92,500.00
Total		$135,500.00
Value of Claimants' Interest in Mortgages As So Appraised:		
30/389 of appraised value of mortgages	$	10,450.41
Less 15% deduction for fractional interest		1,567.56
Net Appraised Value	$	8,882.85
Computation of Amount Allowable:		
Face amount of claim	$	15,331.27
Less appraised value of claimants' interest in mortgages		8,882.85
Amount Allowed	$	6,448.42"

[2] The New York Court of Appeals, while approving the theory of the valuation of a mortgage qua mortgage, nevertheless reversed the decision of the special term to permit of explanation of the reason by which the above percentages were taken in the evaluation of the several mortgage claims and, further, to provide opportunity for cross-examination thereon.

What to Read

Comments on recent surveys, books, and articles of interest to real estate appraisers.

C. M. Jones, Editor — Librarian, American Institute of Real Estate Appraisers

Book Reviews

Brownell, Baker and Wright, Frank Lloyd. ARCHITECTURE AND MODERN LIFE. *New York and London, Harper & Brothers, 1937. 339 pp. $4.00.*

ARCHITECTURE AND MODERN LIFE is an attempt to review the history and theory of architecture and to show the possibilities and significance of the application of architectural principles to the design of our social and economic life. Consideration of these principles is important since architecture is bound to have a direct influence upon the human and mechanical activities in the future.

Chinese, Mayan, Egyptian, Persian, Byzantine, and Gothic construction each combined the available structural materials of the age with the spirit and philosophy of the time in order to achieve use and beauty. This principle was used in the design and structure of the Imperial Hotel in Japan. America has many examples of old architectural styles, but we often find them placed without regard to either neighborhood convenience or design. As a result it is not difficult to find examples of Spanish villas adjacent to Swedish houses or French Chateau clubhouses near Gothic churches.

"The modern world presents a conflict of tendencies; relativism and absolutism, urbanism and agrarianism, security and opportunity, specialization and integrity." The Empire State building, the Norris Dam, and the canalization of the Chicago and Calumet rivers are all typical of our present architecture in which society is triumphant over nature. Movable homes, mechanized offices, portable furniture, and radios are also a part of our unstable social existence in which people have no place either on the soil or in it.

The authors dislike our urban life and try to give us a picture of a simplified life in which the personal aspects of our lives are emphasized. To them, urbanism is the combination of power of resources and organization. It has led to horizontal concentration in which skill has become the dominating characteristic. They feel that our cities have become more orderly as a social system, but that the lives in them have become more disorderly and highly impersonal. Instead, society should integrate population, industry, property, politics, art, religion, and education to develop a well-rounded individual. The "city within a city" structure of our cities should be decentralized and factories should be located to encourage development of self-sufficient families with a degree of respectability and independence in order to raise healthy, normal children. It is for this purpose that Mr. Wright has developed Broadacre, his conception of a model city.

Portions of these ideas are very controversial, but the book as a whole is interesting from a descriptive angle, especially the portions devoted to historic development of architecture. Occasionally the style becomes light and humorous as in the statement, "The Hudson river tunnel is a glistening conduit through which a large amount of mankind is piped to New York in the morning and piped back to Jersey in the afternoon." The chapters on our social order are thought-provoking and serious. As a whole, *Architecture and Modern Life* should appeal to anyone interested in housing, neighborhood analysis, and suburban development in relation to a study of our present social and economic order.

W. E. ZIMMERMAN.

Chicago, Illinois.

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Nolen, John and Hubbard, Henry V. PARKWAYS AND LAND VALUES. *Cambridge, Mass. Harvard University Press, 1937. 149 pp. $1.50.*

ALTHOUGH most of us are familiar with the increasing literature relating to real estate and directed primarily toward the valuation and the use of land and the conduct of real estate offices, largely engendered by our own National Association, many of us are not acquainted with the growing literature dealing more with the future of real estate and treating subjects with which we and our successors will have to reckon in the routine of our business.

I was astonished by the scope and pertinency of the publications by the Department of Regional Planning of Harvard University, of which the eleventh volume recently published, entitled *Parkways and Land Values*, is the result of interesting and exhaustive studies by the late John Nolen and Henry V. Hubbard. The studies were completed by Mr. Hubbard, and the publication is partially a memorial to the outstanding work in city planning done under the direction of Mr. Nolen.

Recently I spent an evening hearing Dr. McClintock, of Harvard University, discuss the problems of street traffic and the replanning of cities to accommodate the growing use of automobiles. I was tremendously impressed by this statement that we have hardly begun to adjust our arrangements of cities to the use of automobiles. He made exceedingly clear the fact that future adjustments are going to change entirely our urban life and that this in turn will greatly affect the use and value of real estate. It occurred to me more impressively than before that we, who make our living through dealing in real property, will be caught napping if we do not familiarize ourselves with these changes.

Parkways and Land Values is the most recent study of comprehensive planning and deals particularly with the systems developed in the Westchester section suburban to New York, the suburbs of Boston, and the outstanding developments in Kansas City, in which our own J. C. Nichols had a leading part. It describes the various types of parkway thoroughfares, connecting highways, the development of adjoining lands, the cost of the improvements, and the resultant effect upon the use and value of the areas served. While the volume is primarily a treatment of those subjects, it also describes the organization of the leading governmental organizations created to further these parkways and discusses the various forms of finance.

It is not light reading, but this is usually true of basic, analytical studies. However, it is exceedingly interesting to one who is concerned with the future of our cities, and it is bound to stimulate a desire to be more familiar with the work being done by such institutions as the Department of Regional Planning of Harvard University.

RAYMOND T. CRAGIN, M.A.I.

Cleveland, Ohio.

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JOURNAL OF THE AMERICAN SOCIETY OF FARM MANAGERS AND RURAL APPRAISERS. Published by the American Society of Farm Managers and Rural Appraisers. Walter W. McLaughlin, Decatur, Ill., Editor. *Semi-annually. $1.00 a year. $.50 a copy.*

AN interesting new magazine appealing to farm real estate brokers and rural appraisers has just made its appearance. Two numbers have been issued—April and October, 1937. Produced in an attractive format of small, convenient size, the first issues are approximately fifty pages in length, illustrated with portraits, maps, and charts. The first issue describes the organization and growth of the new organization, called the American Society of Farm Managers and Rural Appraisers, and gives its membership and Code of Ethics.

An exceptionally good article in the October issue is the six pages devoted to the valuation of barns by Rex R. Bailey. All kinds of barns and outbuildings, such as hog houses, graneries, and corncribs, are included. Costs are given per cubic foot. A table of comparative costs of identical buildings in different territories upon the square foot and cubic foot basis adds greatly to the article.

Meaty articles included in these early issues are: Professional Farm Management Service, by H. C. M. Case; The Effect of Average Prices on Land Values, by W. E. Grimes; Principles and Procedure of Farm Management, by Ersel Walley; The Gyroscope of Rural Appraisals, by True D. Morse; The Influence of the Professional Farm Manager on the Tenant Situation, by F. E. Fuller; Executives Rule Out Betting, by D. W. Trick; How Farm Management Benefits the Nonresident Landowner, by Dudley C. Smith, Jr.; Good Five Cent Farm Plats, by Herbert Pike; Farm Mortgage Investments of Insurance Companies, by S. F. Westbrook; Value of Farm Management Service to the Tenant, by J. B. Cunningham; What Farm Management Can Contribute to the Solution of the Problems of Farm Tenancy, by F. W. Reinoehl; and Concerning Errors in Appraisal, by W. G. Murray.

C. M. JONES.

Chicago, Illinois.

New Articles

ALDIS, GRAHAM, M.A.I. "Progressive Styling: A New Attack on Obsolescence in Older Business Properties."

Realizing that a new building is slow to yield a return on the investment and that it takes from three to five years to complete and furnish it, Aldis & Co. feels that it must rebuild and modernize outmoded but structurally sound office buildings in Chicago's Loop in order to supply demand. This plan is intended to discourage the wrecking of old buildings as an alternative to complete reconstruction. This company expects to spend at least $150,000 this year for progressive styling in buildings it manages. Mr. Aldis believes it is just as important to give the tenant modern quarters as to rehabilitate the public spaces from which visitors form their opinion of the building. This is exactly what his company is now doing in its buildings. *Real Estate Record, Metropolitan Edition, March 5, 1938, p. 22-25. $0.70.*

JAMES, M. H. "Residential Appraising."

"Good old common sense," sound judgment, and logical reasoning should not be underestimated in the appraising of residential property for listing. This oldtimer from Texas contends that the successful appraiser will, of course, constantly study the newest techniques but that these never can take the place of "seasoned judgment." He goes on to describe his pet appraisal work sheet and listing blank and his method of grading the properties into four categories: (1) Best, (2) Good, (3) Medium, and (4) Poor. The broker must be able to prove to the owner, who probably has an inflated idea of the value of his property, that it will sell at the price appraised. In order to do so, he must have sound methods of estimating values; he must keep abreast of changing conditions; and he must furnish satisfactory proof of the value. "A well-planned appraisal work sheet is half the battle." *Freehold, March 15, 1938, p. 196-197. $0.10.*

KRUGGEL, ARTHUR, M.A.I. "Improper Zoning Is the Germ of Blight."

In his report to the Chicago City Council Housing Conference, held in February, Mr. Kruggel ably discussed the subject of zoning and its effects on property values. He pointed out the fact that the Chicago zoning ordinance was passed in 1923 but that very little factual data were available at that time—nor any measuring stick by which to measure. Consequently, the city is improperly zoned as shown by his table. He believes that proper zoning would make a great difference in taxes and in maintaining values and the earning power of property; that it is necessary to rebuild sections after a city has reached a certain stage and its rate of expansion slows up. To do this, he suggested rezoning some areas and fitting them for proper use; also that a scientific study of blight be made to effect its cure. This issue also includes an article on the clearing of slums from another report given at this same conference on city planning. *Real Estate, March 12, 1938, p. 7. $0.30.*

LEVY, MARK, M.A.I. "One Hundred Per Cent Locations."

What is a 100 per cent location? How does the parking problem affect 100 per cent locations? Are the rent levels uniform within the 100 per cent location? These questions and several more are answered in this comprehensive article on a subject which vitally affects value. There is no standard size in 100 per cent districts, even in cities of comparable population. Examples are given of several cities illustrating the variances. Mr. Levy also points out that the relative merits of locations within the district vary widely. He advises, "It should be borne in mind that every location in a 100 per cent location is not a 100 per cent location for every type of business." He explains just what factors enter in to change the picture. A valuable list of 100 per cent locations in various cities of the United States and Canada are tabulated on the last pages. As far as we know, this is the only compilation of its kind available. *The Journal of Real Estate Management. February, 1938, p. 291-299. $1.25.*

SMITH, L. ELDEN. "Measuring the Neighborhood Risk."

Believing that neighborhood trends play an important part in mortgage risk, a large bank in Los Angeles uses an interesting technique in analyzing communities. The study reveals that the average residential district passes through a life cycle something like this: (1) is born; (2) experiences a period of rapid growth; (3) becomes mature and established area; (4) begins to decline in quality; and (5) finally ends as unattractive, "blighted" districts or experiences conversion to other uses. Included is a map of Los Angeles showing the pattern which is made when sections are classified according to the cycle concept. Rent indices, vacancy data, repair and modernization building permits, movements of "best families," shifts of racial groups in elementary schools, families on public relief, all can be used to follow trends of neighborhoods. *Insured Mortgage Portfolio. February, 1938, p. 9-12. $0.35.*

New Members

Admitted to the Grade of Member

HAROLD K. CRANE, SAN FRANCISCO, CALIFORNIA. Born, San Francisco, October, 1895; member, San Francisco Chamber of Commerce; member, San Francisco Real Estate Board; professional territory covers the entire San Francisco Bay area; lecturer; commercial experience in foreign trade, 1920-1923, with travel throughout the United States, West Indies, and abroad; member of original appraisal study group of the San Francisco Real Estate Board, 1934-1937; member of the appraisal group subscribing to the Schmutz Appraisal Course, 1936; ten years' experience in appraising real property, including apartments, homes, industrial property, and vacant property; licensed real estate broker in the state of California; qualified in court as an expert on value of industrial property, 1931; appraised for Bank of California, San Francisco; twelve years' experience in building and construction; experienced in residential sales.

FRED E. PALMER, SAN FRANCISCO, CALIFORNIA. Born, San Francisco, California, February, 1887; Realtor and broker since 1919; treasurer and director, San Francisco Real Estate Board; appraiser for H.O.L.C.; appraiser for F.H.A.; member, San Francisco Real Estate Board; professional territory covers San Francisco and Bay Counties; author and lecturer; ten years' experience in appraising real property, including stores, hotels, vacant lots, residential and industrial property, garages, farm lands, and gas stations; member of the original study group of San Francisco Real Estate Board for study of appraisal work, 1934-1937; member of the study class conducted by George L. Schmutz, 1936; licensed real estate broker in the state of California since 1910; qualified in court as an expert on residential property in 1937; appraised for California Pacific Title & Trust Company, San Francisco Real Estate Board, Citizens Building & Loan Company, and Morris Plan Bank; experienced in residential sales.

CLAYTON B. TURNER, SAN FRANCISCO, CALIFORNIA. Born, Salt Lake City, Utah, September, 1899; Real Estate and Mortgage Loan Supervisor for The Equitable Life Assurance Society of the United States; Director and Trustee for Murray Finance Company; prior to June, 1937, a member of the Salt Lake Real Estate Board and a former Director; now a member of the Property Management Division, San Francisco Real Estate Board; prior to June 1, 1937, appraisals made in the Intermountain Territory covered by the Salt Lake City branch office including Colorado, Montana, Utah, and Idaho; professional territory covers northern California, including San Francisco Bay Area; B.A. degree from the University of Utah, majoring in economics and business administration; completed two extension courses, including Commercial Law and Banking; completed the Institute's Case-Study Courses, Real Estate Appraisal I and II, at Chicago in 1936; eight years' experience in the appraisal of real property; qualified in court as an expert on the value of residential and business property; valuation experience includes appraisal of all types except industrial property; general experience for more than eight years in reconditioning property and considerable construction work in residential and business properties in connection with foreclosed properties not completed at time of acquisition; four years' experience as real estate salesman and eight years' experience in the supervision of the sale of foreclosed properties; from August, 1929, to May, 1934, employed by the Constructions Securities Company, a mortgage and real estate holding company, in the capacity of Vice President and General Manager; since May, 1934, employed by The Equitable Life Assurance Society of the United States as Real Estate and Mortgage Supervisor; also independent appraisal work for the First National Bank, of Murray, Utah.

JOHN A. CAULKINS, HARTFORD, CONNECTICUT. Born, Hartford, Connecticut, May, 1884; President, W. E. Caulkins & Sons, Inc.; Director of the Homestead Corporation; active member, Hartford Real Estate Board; professional territory covers Hartford County; thirty-five years' business experience; fifteen years' experience in the appraisal of real property, including homes, apartments, stores, office buildings, industrial property, and special purpose property; qualified in court as an expert on the value of various classes of real estate during the period from 1922-1937; appraised for The Equitable Life Assurance Society of the United States and numerous banks and trust companies.

L. F. PALLARDY, TAMPA, FLORIDA. Born, St. Charles, Missouri, September, 1892; member of the firm Pallardy-Watrous, Inc., Tampa, Florida; member of the firm Pallardy-Watrous Insurance Agency, Inc., Tampa, Florida; Loan and Real Estate Supervisor for Florida, The Equitable Life Assurance Society of the United States; Fiscal Agent and Loan Correspondent for Indianapolis Life Insurance Company of Indianapolis, Indiana; active member, Tampa Real Estate Board; professional territory covers the state of

Florida; engaged in the real estate business in St. Charles for five years; located in Tampa, Florida, since 1913; engaged in general real estate and mortgage business from 1914-1920; associated with Hendry & Knight Company from 1921-1924, operating ships for the United States Government; engaged in mortgages and insurance 1924 to date; over fifteen years' experience in the appraisal of real property, including dwellings, stores, office buildings, and apartments; licensed real estate broker in the state of Florida; qualified in court as an expert on the valuation of business and residential property; more than fifteen years' experience in the construction of houses for sale and in the repairing and remodeling of buildings; approximately eighteen years' experience in residential sales.

FRANK M. STANLEY, CHICAGO, ILLINOIS. Born, Warwick, England, March, 1890; President and Director, Robert E. L. Brooks, Inc.; Director, Gateway Building and Loan Association; Director, Home Builders Investment Corporation; active member, Chicago Real Estate Board; professional territory covers Chicago and suburbs; with Robert E. L. Brooks, Inc., since 1920; twelve years' experience in the appraising of real property, including the valuation of vacant land, residential properties, bank buildings, apartment buildings, and store properties; qualified in court as an expert on the value of vacant property; appraised for the Gateway Building and Loan Association and for Kronan Building and Loan Association.

W. H. TODT, LITCHFIELD, ILLINOIS. Born, Montgomery County, Illinois, July, 1885; in business under firm name of W. H. Todt & Company; fee appraiser for H.O.L.C. during 1933, 1934, and 1935; at present time local broker for H.O.L.C.; per diem valuator for Federal Housing Administration during 1936 and 1937; active member, Montgomery County Real Estate Board; professional territory covers south eighty-six counties of Illinois; finished a three-year course in Business and Commerce at Quincy College, Quincy, Illinois, and received Degree of Master of Accounts; three years as cashier of bank of Smithboro, Illinois; three years as manager of discount and collection department, LaSalle Trust & Savings Bank, Chicago; one year in trust department of Chicago Title & Trust Company, Chicago, Illinois; one year as Secretary of Marquette Bond & Mortgage Company, Chicago; twenty years' experience in the appraising of real property, including homes, apartments, stores, and farms; licensed real estate broker in the state of Illinois since 1924; qualified in court as an expert on the value of residential property and farm land; appraised for Union Central Life Insurance Company, Cincinnati, Ohio; Missouri State Life Insurance Company, St. Louis, Missouri; Litchfield Bank & Trust Company, Litchfield National Bank, Co-operative Savings & Loan Company, Litchfield, Illinois; and Montgomery County Loan & Trust Company, Hillsboro, Illinois; experienced in the construction of homes since 1924; thirteen years' residential sales experience.

DAVID Z. FIELD, SPRINGFIELD, ILLINOIS. Born, Oneida, Illinois, November, 1899; Staff Valuator, Federal Housing Administration, Springfield, Illinois; member, Springfield Real Estate Board; lecturer; professional territory covers the state of Illinois, except the northern division; Knox College, 1919-21; United States Military Academy, November 8, 1918, to April 18, 1919; extensive study of text books and courses on real estate appraising; twelve years in general real estate business; served as Chairman of the Appraisal Committee of the Galesburg Real Estate Board for a number of years; presented winning business property appraisal at convention of Illinois Association of Real Estate Boards at Peoria, 1930; presented winning farm appraisal in a farm land appraisal contest before same organization at Moline, 1931; twelve years' experience in the appraisal of real property, including homes, apartments, stores, office buildings, industrial property, farms, and special purpose property; licensed real estate broker in the state of Illinois from 1930 to present date; licensed real estate salesman, 1925-30; qualified in court as an expert on the value of residential and business property during period of 1930-36; appraised for the Trust Department, Farmers & Mechanics Bank, Galesburg, Illinois, and for the Provident Savings Association, Galesburg; experienced in remodeling and new construction.

WILLIAM F. MORRISSEY, BOSTON, MASSACHUSETTS. Born, Boston, Massachusetts, September, 1898; Deputy Assessor, city of Boston; member, Boston Real Estate Exchange; member, First Assistant Assessors' Association of Boston, Norfolk-Suffolk Assessors' Association, and Massachusetts Association of Assessors; professional territory covers Boston, Massachusetts; addresses monthly dinners of First Assistant Assessors' Association; Harvard University, class of 1919, Bentley School of Accounting and Finance, Northeastern University School of Law; fifteen years' experience in appraising real property, including homes, apartments, stores, office buildings, industrial property, farms, and special purpose properties; qualified in court as expert in appraising apartments, stores, and residences.

CHARLES D. BEHRENS, BROOKLYN, NEW YORK. Born, New York City, February, 1885; partner in firm of Timm and Behrens; Treasurer, Gormania Holding Company; active

member, Brooklyn Real Estate Board; professional territory covers Kings and Queens Counties, state of New York; thirty years' experience in the appraising of real estate, including the valuation of residential, commercial, and industrial property; licensed real estate broker in the state of New York; qualified in court as an expert on the value of real estate property; 1934 was Official Referee, Kings County; appraised for the Brooklyn Trust Company, Lawyers Trust Company, City Bank Farmers Trust Company, The Servicing Corporation of New York, Kings County Savings Bank, and East Brooklyn Savings Bank, and other financial institutions.

ALFRED R. WITTICH, BROOKLYN, NEW YORK. Born, Mainz, Germany, August, 1889; active associate membership in the Brooklyn Real Estate Board; appraiser and architect for The East New York Savings Bank; registered architect in the state of New Jersey; professional territory covers Greater New York; Industrial Art School, Mainz, Germany; graduate of Royal Prussian Technical School, Idstein, Germany; completed commercial course at Passaic High School, Passaic, New Jersey; completed the Institute's Case-Study Course II at Columbia University; seventeen years' experience in the valuation of real property, including homes, apartments, stores, office buildings, industrial property, and special purpose properties; twelve years' experience in designing buildings of all kinds for the Lehigh Valley Railroad; fifteen years' experience in building and construction for the New York Title & Mortgage Company and The East New York Savings Bank.

THOMAS E. McSHERRY, NEW YORK, NEW YORK. Born, New York City, April, 1903; Assistant Real Estate Appraiser, Emigrant Industrial Savings Bank, New York City; professional territory covers the Boroughs of Manhattan and Bronx, New York City, and counties of Queens, Nassau, and Suffolk, Long Island, New York; member, Long Island Real Estate Board; completed one year in appraising, New York University, two-year course in appraising at College of the City of New York, appraisal course, American Institute of Banking, and two-year commercial law course at College of the City of New York; eleven years' experience in appraising real property as assistant appraiser of the Emigrant Industrial Savings Bank; valued practically every type of property, with the exception of farm properties, for mortgage purposes, extensions, modifications, and insurance purposes.

WALLACE WHITTINGTON TRUE, NEW YORK, NEW YORK. Born, Rochester, Indiana, November, 1892; Assistant Chief Appraiser, The Equitable Life Assurance Society of the United States; member, New York Chapter of the National Association of Real Estate Boards; professional territory covers the United States in reviewing capacity and as need arises as an original appraiser on large projects and/or loans; author and lecturer; University of California, 1913, B.S. degree (engineering); fifteen years' experience in appraising real property, including homes, apartments, stores, office buildings, industrial property, farms, and special purpose properties; licensed real estate broker in the state of Illinois, 1936-1937; qualified in court as an expert on the value of real estate (apartments and business property) 1933-1936; appraised for the Bankers Life Insurance Company (Iowa) and the City National Bank & Trust Company and Central Republic Bank & Trust Company, of Chicago; experienced in building and construction.

WARREN W. ALLEN, ROCHESTER, NEW YORK. Born, Fort Wayne, Indiana, December, 1901; active member and treasurer, Rochester Real Estate Board; Manager, Real Estate Department, Lincoln-Alliance Bank and Trust Company; member, Rochester Ad Club; member, Town Planning Board, Town of Perinton, New York; professional territory covers Rochester, Monroe County, Wayne County, and the western part of the state of New York; author and lecturer; B.A. degree from the University of Rochester, 1924; M.A. degree from University of Rochester, 1933; completed courses in real estate with the American Institute of Banking, 1934; completed Case-Study Course II given at the University of Chicago by the American Institute of Real Estate Appraisers in 1936; ten years' experience in appraising of real property, including the valuation of stores, gas stations, churches, single-family homes, farms, industrial plants, hotels, theatres, and other classes of real estate typically found in metropolitan areas; licensed real estate broker in the state of New York since 1929; qualified in court in 1931 as an expert on the value of real property; two and one-half years' active experience as general building contractor and estimator; experienced in residential sales four and one half years.

L. R. REIFSNIDER, CLEVELAND, OHIO. Born, Akron, Ohio, January, 1885; Loan Supervisor, The Equitable Life Assurance Society of the United States; Director and Appraiser, First Federal Savings & Loan Company of Akron,

Ohio; associate member, Akron Real Estate Board; associate member, Cleveland Real Estate Board; professional territory covers northern Ohio; twenty-four years' experience in the appraisal of real property, including residences, small business properties, and apartments; former officer of the Exchange Realty Company of Akron, 1913-1932; qualified in court as an expert on the value of residential and business properties; appraised for The Equitable Life Assurance Society of the United States, Standard Savings Bank, and The First Federal Savings & Loan Association; some construction experience; Past President, Akron Real Estate Board; Clerk and Assistant Cashier, First National Bank and First-Second National Bank, Akron, Ohio, 1901-1913; President and Secretary, The Exchange Realty Company, Akron, Ohio, 1913-1932; President, The Akron General Insurance Agency Company, Akron, Ohio, 1926-1932; President, The Akron Property and Mortgage Company, Akron, Ohio, 1926-1932; President, The Standard Mortgage Company, Akron, Ohio, 1926-1932; Vice President, The Society Savings & Loan Company, Akron, Ohio, now the First Federal Savings & Loan Company, 1921-1936.

JOSEPH W. WIDING, PHILADELPHIA, PENNSYLVANIA. Born, Philadelphia, Pennsylvania, January, 1899; Appraisal Engineer, Land Title Bank and Trust Company; member and former Director, Building Owners' and Managers' Association of Philadelphia; Vice President, Associate and Salesmen's Division of the Philadelphia Real Estate Board; professional territory covers metropolitan Philadelphia; experienced in construction work; civil engineering at Cornell University; appraisal engineer, having charge of applications, plans and specifications, reports, and supervision of operations, Land Title Bank and Trust Company since 1923; fourteen years' experience in the appraisal of real property; qualified in court as an expert on real estate values on various occasions.

PHILIP O. WIDING, WILLOW GROVE, PENNSYLVANIA. Born, Pittsburgh, Pennsylvania, September, 1894; associate member, Philadelphia Real Estate Board; Manager, Loan Department, Philadelphia Company for Guaranteeing Mortgages since 1925; professional territory covers Philadelphia and vicinity; Director, Phila-Penn Building & Loan Association; Captain, Field Artillery Reserves, U. S. Army; fifteen years' experience in the appraising of real estate.

THOMAS C. McMAHON, PITTSBURGH, PENNSYLVANIA. Born, Pittsburgh, Pennsylvania, July, 1873; active member, Pittsburgh Real Estate Board; professional territory covers western Pennsylvania, eastern Ohio, and northern West Virginia; attended Greerburg Academy, Darlington, Pennsylvania; member, Board of Assessors, and Chief Assessor, City of Pittsburgh, twenty-one years; Senior Land Appraiser and Chief Land Appraiser, Interstate Commerce Commission, seven years; instructor, Real Estate Course, University of Pittsburgh, ten years; thirty-one years' experience in appraising real estate; licensed real estate broker in the state of Pennsylvania, 1934-1937; qualified in court as an expert on the value of real estate in 1913; appraised for Provident Life Insurance Company, Pan-American Life Insurance Company, Union Central Life Insurance Company, Peoples Trust Company, Union Trust Company, Foster Building & Loan Association, and American Building & Loan Association.

L. W. MONTEVERDE, PITTSBURGH, PENNSYLVANIA. Born, Pittsburgh, Pennsylvania, December, 1885; active member, Pittsburgh Real Estate Board; Vice President and Director, Real Estate Company of Pittsburgh; Vice President and Director, Real Estate Investment Company; Director, Realty Factors, Inc., of New York; Director, Walter S. Schmidt & Co. of New York; Director, Isaly Company of Pittsburgh; Director and Past President, Pennsylvania Association of Real Estate Boards; Director and Past President, Pittsburgh Real Estate Board; Past Chairman of City Planning Commission; Director, Citizens' Commission on City Planning; professional territory covers metropolitan Pittsburgh; author and lecturer; since 1899 with the Real Estate Board Company of Pittsburgh, for the past twenty years as Vice President and Sales Manager; thirty years' experience in the appraisal of real property, including the valuation of all types of properties found in metropolitan Pittsburgh; licensed real estate broker; qualified in court in 1907 as an expert on the value of business and industrial properties; appraised for numerous insurance companies and financial institutions.

STANLEY C. HANKS, MADISON, WISCONSIN. Born, Madison, Wisconsin, August, 1872; President, Stanley C. Hanks Company; President, Village of Maple Bluff; Director, Dane County Title Company; active member, Madison Real Estate Board; professional territory covers Madison and vicinity; B.A. degree, University of Wisconsin, 1894; University of Washington and Columbia Law Schools, 1895-1896; practiced law 1896-1904; Sales and Advertising Manager, Grishold Machine Company, 1904-1909; engaged in real estate since 1909; twenty years' experience in the appraisal of real property, including the

valuation of homes, hotels, stores, filling stations, garages, office buildings, farms, apartments, leases, churches, and various other types; licensed real estate broker; qualified in court as an expert on the value of residential and commercial properties; appraised for the Guardian Life Insurance Company and the Wisconsin Life Insurance Company, for the Central Wisconsin Trust Company and the Union Trust Company, and numerous other financial institutions as well as private clients; experienced in the construction of homes, office buildings, and apartments; thirty years' experience in residential sales.

PAUL E. STARK, MADISON, WISCONSIN. Born, Centralia, Iowa, May, 1884; proprietor and owner of The Paul E. Stark Company; President, Terrace Homes Company; President, Terrace Construction Company; Vice President, Arcade Realty Company; President, Paul E. Stark Insurance Agency; President, Huron Corporation; Director, Bank of Madison; broker member, Madison Real Estate Board; Past President, National Association of Real Estate Boards; Past President, Wisconsin Association of Real Estate Brokers; Past President, Madison Real Estate Board; Past President, Chamber of Commerce; Past President, Community Union; Past President, Madison Y.M.C.A.; Past President, Madison Kiwanis Club; professional territory covers Madison and surrounding territory; lecturer, author, and teacher; graduate, University of Wisconsin; twenty-five years' experience in appraising real property, including homes, apartments, office buildings, industrial property, farms, and special purpose property; licensed real estate broker in the state of Wisconsin; qualified in court on the value of residential, business, and industrial property.

STANLEY LIVINGSTON, HONOLULU, HAWAII. Born, Quincy, Ohio, 1876; President, Livingston Brothers, Realtors; President, Honolulu Appraisal Association; member, Real Estate License Commission for the territory of Hawaii; member, Board of Directors of the Honolulu Realty Board; member and Past Chairman, Appraisal Committee, Honolulu Realty Board; member, Governor's Board of Appraisal for territory of Hawaii; President, Honolulu Automobile Club for past twelve years; Trustee and Vice President, Mid-Pacific Institute; organizer and first President, Honolulu Realty Board; appraisal experience extends over a period of more than twenty years and includes the valuation of all types and classes of real property.

ADMITTED TO ASSOCIATE MEMBER GRADE

WILLIAM CLIFFORD, JR., NEWARK, NEW JERSEY. Born, Elizabeth, New Jersey, November, 1896; Mortgage Loan Inspector, Prudential Insurance Company; registered architect in New Jersey since 1921; associate member, Real Estate Board of Newark; professional territory covers the state of New Jersey; five years' experience in the appraisal of real estate, plus five years in building construction as superintendent and estimator; ten years as an architect; four years as district manager handling property management and sales for the Prudential Insurance Company and the New York Title Company; licensed real estate broker in the state of New Jersey.

CHARLES W. CART, SAN ANTONIO, TEXAS. Born, Versailles, Kentucky, August, 1896; Director and Secretary-Treasurer, First Federal Savings & Loan Association of San Antonio; Director and Secretary-Treasurer, Security Building & Loan Association; member, San Antonio Real Estate Board; professional territory covers San Antonio and environs; appraiser for H.O.L.C. since 1936; appraiser for Woodford County Building & Loan Association since 1923, for Security Building & Loan Association since 1927, and for First Federal Savings & Loan Association since 1935; fourteen years' experience in the appraising of real property.

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(See pages 191 to 196, Roster of Members, for addresses.)

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Claude L. Baker (129).....R. F. D., No. 2

Gary
Charles D. Davidson (244).....504 Broadway
J. R. Davidson (128).....504 Broadway

Hammond
Samuel C. Ennis (203).....1st Trust Bldg.

Indianapolis
George A. Kuhn (35).....706 Guaranty Bldg.
Frank B. McKibbin (96).....1154 Consolidated Bldg.
John W. Roberts (448).....428 Illinois Bldg.

South Bend
Richard A. Muessel (537).....205 Income Bldg.

IOWA

Cedar Rapids
John J. Wagner (266).....408 American Trust Bldg.

Des Moines
Arthur S. Kirk (188).....900 Grand Ave.

Sioux City
Willard L. Frost (21).....Security Bank Bldg.

KANSAS

Hutchinson
J. C. McNaghten (116).....1st Natl. Bk. Bldg.

Topeka
Harold Cone (602).....1620 West 15th St.
David Neiswanger (426).....115 W. 6th Ave.
Ralph D. Nixon (555).....3012 Somers Court

KENTUCKY

Louisville
L. Sidney Jenkins (334).Care of Louisville Trust Company
Paul F. Semonin, Sr. (359).....321 Starks Bldg.

LOUISIANA

New Orleans
Max J. Derbes (560).....823 Perdido St.
E. Holland Johnson (558).....811 Perdido St.
J. Burrows Johnson (559).....339 Carondelet St.

Shreveport
T. S. Neal (224).....330 Ricou-Brewster Bldg.
R. S. Whitten (351).....210 Milam St.

MARYLAND

Baltimore
Oregon Milton Dennis (132).....211 New Amsterdam Bldg.
W. E. Ferguson (47).....100 E. Pleasant St.
Harry E. Gilbert (18).....2 E. Lexington St.
Albert C. Hofrichter (162).....2 E. Lexington St.
John E. McGovern (316).....H.O.L.C., Equitable Bldg.
Harry U. Riepe, Jr. (570).....28 East Fayette St.
Chas. H. Steffey (88).....336 N. Charles St.
Carroll Wright (314).....Baltimore Trust Bldg.

MASSACHUSETTS

Boston
W. H. Ballard (41).....45 Milk St.
Philip E. Bennett (603).....40 Water St.
Arthur B. Brooks (509).....40 Central St.
Edwin Deering Brooks (510).....18 Tremont St.
Edward F. Cassell (122).....18 Tremont St.
Walter Channing (571).....50 Congress St.
George L. DeBlois (505).....11 Pemberton Sq.
Norman W. Kenny (10).....82 Devonshire St.
John C. Kiley (397).....45 Bromfield St.
Arthur N. Maddison (504).....11 Pemberton Sq.
William F. Morrissey (627).....303 City Hall
Robert C. Nordblom (336).....18 Oliver St.
George S. Parker (502).....87 Milk St.
Stephen W. Sleeper (508).....31 Milk St.
Robert S. Wayland (506).....10 State St.
Parker Webb (538).....24 Milk St.

Brockton
Charles H. McKenney, Jr. (423).....106 Main St.

Fall River
J. Frederick Beckett (167).....49 Purchase St.
Myer Markell (165).....160 Bank St
Everett N. Slade (53).....57 N. Main St.

Lowell
John C. Percival (283).....36 John St.

Springfield
Henry M. Clark (287).....100 Broadway
Bion T. Wheeler (389).....1562 Main St.

Worcester
Francis S. Bailey (524).....2 Foster St.
F. Everett Cole (556).....5 Pleasant St.
Charles A. Kabley (501).....340 Main St.
Maurice F. Reidy (8).....2 Foster St.

MICHIGAN

Detroit
Judson Bradway (392).....533 Majestic Bldg.
Matthew Carey (389).....2149 Union Guardian Bldg.
George W. Drennan (358).....617 Penobscot Bldg.
Guy S. Greene (394).....300 Lafayette Bldg.
Donald D. James (539).....700 Penobscot Bldg.
Henry N. Johnson (390).....300 Penobscot Bldg.
Albert D. MacRae (540).....Union Guardian Bldg.
Alfred W. Palmer (312).....1920 Union Guardian Bldg.
Edmund T. Paterson (385).....3050 E. Grand Blvd.
Leonard P. Reaume (393).....2150 Buhl Bldg.
George C. Sexauer (395).....2150 Buhl Bldg.
William W. Tanney (434).....9061 W. Outer Drive
Clarence S. Vaughn (422)..2103 First National Bank Bldg.
Carl S. Wells (391).....2706 Eaton Tower

Flint
Gerald F. Healy (604).....611 Genesee Bank Bldg.

Grand Rapids
J. G. Lloyd Alexander (246).....616 Murray Bldg.
Isaac Blandford (234).....105 Federal Square Bldg.
Leon T. Closterhouse (247).....
.....American Home Security Bank
John Garfield Emery (304).....400 Central Bank Bldg.
Harry J. Fuller (235).....The Michigan Trust Co.
Walter S. Palmer (193).....104 Federal Square Bldg.
Arent Van Stensel (248)...1006 G. R. Savings Bank Bldg.
Charles H. Warden (229).....535 Michigan Trust Bldg.

Jackson
Henry H. Lammers (557).....508 Dwight Bldg.

Lansing
Edward G. Hacker (291).....219 W. Washtenaw St.

Pontiac
Paul A. Kern (134).....31 Oakland Ave.

MINNESOTA

Duluth
Richard W. Northrup (379).....600 Torrey Bldg.

Minneapolis
Norman L. Newhall (32).....519 Marquette Ave.
Edwin L. Somerville (30).....519 Metropolitan Bank Bldg.
J. Frederick Sutherland (331).....131 S. Seventh St.

MISSISSIPPI

Jackson
J. O. Manning (299).....3012 N. State St.

MISSOURI

Clayton
Gunther Meier (319).....18 N. Meramec

Joplin
Rolla E. Stephens (264).....711 Virginia Ave.

Kansas City
George M. Bliss (360).....17 E. 10th St.
C. F. Curry (345).....921 Baltimore Ave.
Herbert B. Patt (553).....417 R. A. Long Bldg.
E. F. Pierson (289).....311 Commerce Bldg.

St. Louis
W. C. Bernard (91).....317 N. 11th St.
William W. Butts (93).....410 Wainwright Bldg.
Herbert O. Byrd (302).....818 Chestnut St.
Charles J. Daly (94).....801 Chestnut St.
Otto J. Dickmann (225).....804 Chestnut St.
Chester A. Dougherty (249).....109 N. 7th St.
J. Gregory Driscoll (528).....1501 Locust St.
John H. Farish (201).....713 Chestnut St.
Grover Godwin (418).....
.....314 Old Custom House, 8th & Olive Sts.
Joseph W. Hannauer (15).....811 Chestnut St.
Alfred B. Kissack (525).....916 Olive St.
Curt C. Mack (449).....714 Chestnut St.
Monroe H. Rodemyer (218).....109 N. 8th St.
N. S. Wood (131).....709 Chestnut St.

NEBRASKA

Lincoln
C. C. Kimball (381).....Stuart Bldg.

Omaha
Lewis C. Sholes (23).....U. S. National Bank Bldg.
Clinton B. Stuht (33).....Aquila Court Bldg.

NEW JERSEY

Atlantic City
Maurice A. Kelley (325).....20 S. Tennessee Ave.

Butler
Frank B. Fay, Jr. (171).....Fayson Lake

Camden
Ralph D. Baker (60).....924 Broadway
William W. Chalmers (63).....645 Market St.
J. William Markeim (86).....645 Market St.
Abraham J. Rosenfeld (213).....114 N. Broadway
Leon E. Todd (340).....2623 Westfield Ave.
Philip Zinman (95).....643 Market St.

East Orange
Frank H. Taylor (6).....520 Main St.
Harry A. Taylor (108).....520 Main St.

Elizabeth
John K. Leeds (99).....286 N. Broad St.
B. B. Miller (58).....215 Broad St.
Burton Thompson (43).....18 W. Jersey
Max Tieger (112).....207 Broad St.

Jersey City
Percy A. Gaddis (22).....30 Journal Square Bldg.
D. E. C. Somers (175).....700 Bergen Ave.
R. E. Thompson (419).....Centl. R. R. of N. J. Term.

Linden
John Fedor (65).....540 S. Wood Ave.

Maplewood
Gilbert N. Swett (561).....Depot Plaza

Newark
Murray Apfelbaum (38).....17 William St.
John J. Berry (56).....982 Broad St.
George E. Dugan (236).....18 Washington Place
Charles F. Evans (572).....782 S. 19th St.
Jos. L. Feibleman (66).....17 Academy St.
George Goldstein (413).....972 Broad St.
Franklin Hannoch (49).....14 Park Place
Louis Herman (70).....60 Park Place
Charles Frederick Kraemer (366).....776 Broad St.
Rudolph Kruger (516).....11 Hill St.
John A. Linnett (85).....46 Clinton St.
E. J. Maier (75).....187 Market St.
J. Kingsley Powell (77).....744 Broad St.
Joel L. Schlesinger (87).....31 Clinton St.
Harry J. Stevens (200).....478 Central Ave.

New Brunswick
Jas. A. O'Connell (186).....392 George St.

Newton
A. N. Lockwood (433).....17 Main St.

Ocean City
Elmer Jackson Pearl (330).....801 Ocean Ave.

Paterson
Joseph R. Lambert (443).....20-22 Church St.

Perth Amboy
Morris Goldfarb (109).....265 Madison Ave.

Plainfield
William G. McDowell (446).....152 North Ave.

Ridgewood
Frederick A. Tetor (364).....1 E. Ridgewood Ave.
Samuel S. Walstrum (106).....Ridgewood

Rutherford
Charles A. Van Winkle (113).....1 & 2 Station Sq.
Theodore Van Winkle (117).....1 Station Sq.

NEW MEXICO

Albuquerque
Joseph P. Deasy (377).....902 W. Tijeras Ave.

NEW YORK

Buffalo
A. P. Allingham (3).....158 Pearl St.
P. V. Bowen (141).....1006 Ellicott Sq.
Walter W. Cohn (81).....155 Pearl St.
Cuthbert E. Reeves (19).....Liberty Bank Bldg.

Mechanicville
Franz H. Moak (40).....37 N. Main St.

Metropolitan City of New York

Borough of Bronx
Herman A. Acker (279).....318 E. Kingsbridge Rd.
Amedeo Giordano (515).....2488 Grand Concourse
Samuel E. McRickard (292).....400 E. Fordham Rd.

Borough of Brooklyn
Stephen F. Barrera (133).....191 Joralemon St.
George Baur (170).....2609 Clarendon Rd.
Charles D. Behrens (635).....190 Montague St.
Joseph William Catharine (503).....149 Pierrepont St.
James P. Clark (550).....478 Graham Ave.
James B. Fisher (57).....160 Remsen St.
George H. Gray (17).....310 Ashland Pl.
Bernard F. Hogan (29).....451 Fifth Ave.
George S. Horton (184).....59 Lafayette Ave.
Frank M. McCurdy (39).....158 Remsen St.
James F. Matthews (76).....186 Joralemon St.
M. C. O'Brien (190).....798 Nostrand Ave.
Charles Partridge (92).....397 Flatbush Ave.
Lewis H. Pounds (128).....32 Court St.
Fenwick B. Small (31).....160 Henry Street
R. W. Walden (89).....94 Clinton St.
Alfred R. Wittich (649).....99 Pennsylvania Ave.

Borough of Manhattan
Robert H. Armstrong (562).....485 Madison Ave.
Edward J. Crawford (373).....225 Broadway
Dalton Granger De Witt (315).....22 W. 48th St.
Sam W. Florence (206).....2700 Woolworth Bldg.
Howard Geoghegan (512).....51 Chambers St.
A. N. Gitterman (45).....45 E. 49th St.
Bracton Goldstone (68).....10 E. 40th St.
George Grotz, Jr. (573).....346 Broadway
George M. Halk, Jr. (582).....742 Lexington Ave.
Frank D. Hall (159).....393 Seventh Ave.
John R. Hoyt (290).....17 E. 42nd St.
Robert Huntley (214).....67 Liberty St.
S. E. Kazdin (269).....70 Pine St.
William MacRossie (598).....6 East 46th St.
John J. McCormick (445).....51 Chambers St.
Thomas E. McSherry (636).....51 Chambers St.
Clarence C. Merritt (357).....50 E. 42nd St.
Charles W. Morrison (270).....270 Madison Ave.
James R. Murphy (437).....217 Broadway
Henry Musch, Jr. (157).....330 W. 42nd St., c/o HOLC
Charles A. Nehring (521).....1441 St. Nicholas Ave.
Charles J. Pladwell (542).....522 Fifth Ave.
Andrew B. Rankin (625).....160 Broadway
Irving I. Rosenbaum (179).....384 Broadway
I. Lincoln Seide (526).....220 Broadway
Maurice R. Spear (543).....225 Fifth Ave.
Eldridge C. Thompson (583).....34 Nassau Street
John C. Tredwell (574).....41 Park Row
Wallace Whittington True (647).....393 Seventh Ave.
David Vogel (368).....150 Broadway

Borough of Queens
Armand Brunswick (327).....90-26 161st St., Jamaica
Arthur J. Horton (183).....160-09 Jamaica Ave., Queens
William F. MacDermott (198)...89-70 162nd St., Jamaica
Axel J. Swenson (272)...41-27 29th St., Long Island City

Nassau County, Long Island
Richard T. Childs (273).....222 Front St., Mineola

Westchester County, New York
Robert A. Anderson (259).....34 E. 1st St., Mt. Vernon
Stephen L. Angell (220).....30 E. Parkway, Scarsdale
Vernon N. Bailey (322).....175 Main St., White Plains
Edward C. Heald (222).....20 S. Broadway, Yonkers
Edward H. Hufnagel (250)..10 S. Fourth Ave., Mt. Vernon
Harry K. Keller (563).....6 Letitia Road, Tuckahoe
Albert W. Lockyer (294).....Depot Plaza, White Plains
Paul Wegener (90).....144 South Broadway, Yonkers
Edward M. West (305).....1 Martine Ave., White Plains

Rochester
Warren W. Allen (637).Lincoln-Alliance Bank & Trust Co.
Abraham Berghash (219).....130 Clinton Ave., S.

Schenectady
Wm. Garner Bee (415).....278 State St.

Syracuse
James H. Dawley (333).....121 E. Genesee St.
Edward Eagan (271).....204 Starrett-Syracuse Bldg.

NORTH CAROLINA

Charlotte
S. T. Henderson (20).....P. O. Box 1123

OHIO

Akron
Charles S. Jenkins (564).....659 Schiller Ave.
John C. Kyle (102).....520 S. Firestone Blvd.
A. R. Ritzman (544).....1099 S. Main St.
Eugene K. Sheffield (575).....651 Central Tower Bldg.
Fred E. Smith (298).....608 Broad Blvd., Cuyahoga Falls
W. F. Voges (105).....1109 S. Main St.

Canton
Mark Hambleton (146).....417 Mellett Bldg.
A. Ray Walters (439).....524 Renkert Bldg.

Cincinnati
Henry B. Bunker (545).....S. E. Cor. 4th & Vine Sts.
Howard R. Burgess (176).....104 Neave Bldg.
Fred Droege, Jr. (154).....410 First National Bank Bldg.
J. George Ege (335).....3040 Urwiler Ave.
James W. Farrell (149).....S. W. Cor. 5th & Main Sts.
John H. Frey (156).....7 Navara Apts., Sta. D
James J. Grogan (180).....S. W. Cor. 5th & Main Sts.
Albert J. Mayer (204).....1515 1st Natl. Bk. Bldg.
P. Lincoln Mitchell (181).....S. W. Cor. 5th & Main Sts.
Michael J. O'Bryne (429).....1825 Kinney Ave.
Russell Price (152).....S. W. Cor. 5th & Main Sts.
Walter S. Schmidt (111).....S. W. Cor. 5th & Main Sts.
Lewis R. Smith (139).....409 American Bldg.
John B. Spilker (155).....410 First National Bank Bldg.

Cleveland
Talmage D. Auble (262).....15509 Madison Ave.
Robert F. Berwald (300).....1220 Williamson Bldg.
Ben B. Beyer (34).....1425 Williamson Bldg.
James G. Bingham (328).....1227 Williamson Bldg.
Raymond T. Cragin (282).....825 Natl. City Bk. Bldg.
W. J. Crawford, Jr. (323).....720 Cuyahoga Bldg.
Victor J. Free (431).....P. O. Box 5876
Walter R. Granger (285).....310 Hippodrome Bldg.
Joseph J. Haas (164).....200 Marshall Bldg.
Joseph B. Hall (2).....5700 Truscon Ave.
Joseph Laronge (103).....600 Union Trust Bldg.
Edwin H. McIntosh (283)....325 Society for Savings Bldg.
Warren L. Morris (251).....420 Natl. City Bk. Bldg.
C. A. Mullenix (605).....620 Hickox Bldg.
F. L. Ostendorf (14).....610 Natl. City Bank Bldg.
Carl A. Palmer (286).....850 Euclid Ave.
L. R. Reifsnider (638).....944 Union Trust Bldg.
Max J. Rudolph (281).....1105 Chester Ave.
Carlton Schultz (37).....The B. F. Keith Bldg.
Alexander S. Taylor (142).....1930 Union Tr. Bldg.
V. C. Taylor, II (153).....1930 Union Trust Bldg.
Wm. J. Van Aken (284).....1715 Euclid Ave.

Columbus
Preston Cooke (551).....8 East Broad St.
Charles F. Johnson (412).....8 E. Long St.

Dayton
Rufus Lisle (438).....Winters Bank Bldg.

Geneva
J. Earl Miller (267).....Miller Bldg.

Massillon
Charles N. Hostetter (329).....716 Lincoln Way, E.

Springfield
H. S. Kissell (5).....927 1st Natl. Bk. Bldg.

Toledo
Claude A. Campbell (211).....707 Ohio Bank Bldg.
Edmund T. Collins (522).....708 Jefferson Ave.
Geo. P. Crosby (252).....413 Madison Ave.
Howard Etchen (136).....725 Adams St.
Donald F. Hiett (396).....622 Jefferson Ave.
John R. Schackne (529).....507 Produce Exchange Bldg.

OKLAHOMA

Tulsa
J. M. Allen (546).....708 Beacon Bldg.
Clyde A. King (432).....310 Beacon Bldg.

PENNSYLVANIA

Bethlehem
Wm. C. Bader (163).....214 Odd Fellows Bldg.

Erie
Carl G. Wright (361).....204 Marine Bank Bldg.

Harrisburg
Evan J. Miller (148).....213 Locust St.
L. D. Scranton (100).....219 Walnut Street

Lancaster
Harry W. Butts (114).....24 E. Orange St.

Lansdowne
W. Raymond Evans (118).....19 N. Lansdowne Ave.

Lewistown
E. Dale Fisher (520).....136 Valley St.

Philadelphia
Philip N. Arnold (174).....123 S. Broad St.
Boyd T. Barnard (237).....Lincoln-Liberty Bldg.
Frederick A. Bond (380).....5433 Baltimore Ave.
E. L. Carlson (62).....The Parkway at Fairmount Ave.
C. Harris Colehower (145).....5942 Chestnut St.
Frank P. Felton, Jr. (268).....914 Lincoln Liberty Bldg.
Lionel Friedmann (565).....N.E. Cor. 15th & Locust Sts.
Joseph J. Greenberg (606).....Architects Bldg.
Samuel T. Hall (257).....1500 Locust St.
Roy A. Heymann (362).....213 S. Broad St.
C. Harry Johnson (238).....Packard Bldg.
S. Craig Kane, Jr. (253).....502 Land Title Bldg.
John G. Keck (607).....1622 N. Broad St.
Philip W. Kniskern (1).....1604 Walnut St.
J. Howard McLaughlin (372).....5512 Florence Ave.
Frank H. Massey (549).....S. E. Cor. 13th & Green Sts.
Maurice R. Massey (276).....S. E. Cor. 13th & Green Sts.
William I. Mirkil (226).....1500 Walnut St.
Robert J. Nash (254).....1214 Locust St.
Glyndon Priestman (420).....18 W. Chelten St.
Richard J. Seltzer (255).....15th & Locust Sts.
J. Willison Smith (239).....100 S. Broad St.
Martin Stotz (55).....514 Land Title Bldg.
Joseph W. Widing (648).....100 S. Broad St.
Philip O. Widing (639).....1604 Walnut St.
Ambrose J. Winder (207).....1420 Walnut St.

Pittsburgh
Roy R. Cappe (608).....341 Fourth Ave.
H. Chidester (609).....618 Frick Bldg.
James W. Cotts (610).....307 Fourth Ave.
J. W. Cree, Jr. (18).....211 Fourth Ave.
E. Herbert Gilg (552).....6605 Ridgeville St.
Fred J. Hettling (611).....440 Fourth Ave.
Carl E. Koch (612).....20 Wabash Ave., West End
R. A. MacDowell (613).....345 Fourth Ave.
William Maisch (616).....307 Fourth Ave.
J. F. McClurg (614).....312 Fourth Ave.
R. L. McKallip (615).....411 Seventh Ave.
Thomas C. McMahon (640).....731 Grant Bldg.
L. W. Monteverde (641).....427 Fourth Ave.
Albert A. Murrer (584).....614 Plaza Bldg.
Frank T. Trohaugh (617).....514 Oliver Bldg.

Scranton
C. G. Chappell (376).....Bliss Davis Bldg.

Wilkes Barre
C. A. Leighton (135).....Deposit & Savings Bk. Bldg.
Edward L. Lewith (227).....428 Miners Bk. Bldg.

RHODE ISLAND

Providence
Hal Forrester Coombs (172).....211 Waterman St.
James Devine (130).....801 New Industrial Tr. Bldg.
Richard A. Hurley (513).....723 Hospital Trust Bldg.

TENNESSEE

Memphis
Elbert A. Cheek (547).....1303 First Natl. Bk. Bldg.
George W. Person (320).....
.....Second Floor, Manhattan Bk. Bldg.
W. H. Prince (374).....1816 Poplar Ave.

Nashville
J. W. Denis (140).....535 Church St.
J. W. Graham (83).....930 Kirkwood

TEXAS

Amarillo
Robert Ricks (566).....Bivins Bldg.

Beaumont
J. S. Edwards (444).....San Jacinto Bldg.

Dallas
Henry S. Miller (277).....405 Southland Life Bldg.
Lawrence Miller (386).....2729 South Blvd.
John W. Pat Murphy (384).....1420 Commerce St.

Fort Worth
Meredith R. Carb (354).....403 First Natl. Bk. Bldg.

Houston
W. G. Burchfield (274).....803 2nd Natl. Bk. Bldg.
L. A. Casey (353).....Esperson Bldg.

San Antonio
Jay E. Adams (626).....F. H. A., Milam Bldg.
Paul W. Adams (355).....Builders Exchange Bldg.
A. H. Cadwallader, Jr. (352).....Moore Bldg.
C. Ray Davis (618).....716 Travis Bldg.
Claris M. Elmore (356).....200 Betty Jean St.
A. R. Foster (619).....417 Argo Ave.
Harold W. Keller (620).....714 Travis Bldg.
R. W. Patton (317).....704 Travis Bldg.

UTAH

Salt Lake City
Werner Kiepe (567).....139 S. Second St., E.

VIRGINIA

Newport News
Emanuel E. Falk (548).....24th & West Ave.

Richmond
John W. Bates (240).....723 E. Main St.
Henry S. Raab (260).....710 E. Main St.
John Sloan (241).....18 N. 8th St.
J. Guthrie Smith (144).....329 Clovelly Rd.
Morton G. Thalhimer (221).....1013 E. Main St.

WASHINGTON

Seattle
Charles P. Burnett (378).....Joshua Green Bldg.
Arthur E. Burr (576).....623 Second Ave.
Ralph H. Davis (577).....400 Skinner Bldg.
Leonard Downie (296).....Seattle
Wm. A. Eastman (307).....414 University St.
R. C. Erskine (578).....2201 Northern Life Tower
Walter G. McLean (346).....1108 Third Ave.
J. C. McQuigg (344).....1317 Boven Ave.
Vincent D. Miller (579).....337 Henry Bldg.
Ben J. Smith (343).....5252 16th Ave., N. E.
J. H. Sparkman (349).....1108 3rd Ave.
Cecil S. Van Voris (369).....(FHA) 1817 Exchange Bldg.
David T. Young (580).....511 Marion Bldg.

WEST VIRGINIA

Charleston
Charles Uhrig (79).....
.....Box 1019, Charleston Natl. Bk. Bldg.

Clarksburg
Lyle B. Hornor (375).....Goff Bldg.

Huntington
H. E. Pilcher (371).....926 6th Ave.

WISCONSIN

Madison
Henry H. Bush (61).....24 W. Mifflin St.
Stanley C. Hanks (642).....24 W. Mifflin St.
Paul E. Stark (643).....124 W. Mifflin St.

Milwaukee
Fritz W. Beck (581).....1708 North 72nd St., Wauwatosa
Lloyd M. Boyce (621).....735 N. Water St.
K. Lee Hyder (185).....525 E. Michigan St.
Robert F. Marty (622).....709 North 11th St.

ONTARIO, CANADA

London
Bert Weir (188).....156½ Dundas St.

Toronto
William Henry Bosley (623).....28 Adelaide St., W.
Cyril R. De Mara (12).....372 Bay St.
Frank McLaughlin (7).....34 King St., W.

Associate Members

CONNECTICUT

Stamford
Robert S. Hay (14).....300 Main St.

FLORIDA

Miami
W. Carroll Wilson (21).....In Care of H.O.L.C.

Miami Beach
E. D. Keefer (27).....1035 Collins Ave.

GEORGIA

Waycross
George Fesperman (5).....208 Parker St.

ILLINOIS

West York
Herschel S. Green (16).....West York

MICHIGAN

Detroit
Arthur A. May (24).....HOLC, 9th Floor, Natl. Bk. Bldg.

Grand Rapids
Peter Hoek (19).....750 Leonard St., N. W.

Muskegon
William Bush (3).....38 Diana Ave.

NEW JERSEY

Elizabeth
R. Mason Kirkland (15).....125 Broad St.
James Rosensohn (22).....125 Broad St.

Keyport
Samuel De Bow Walker (10).....101 Atlantic Ave.

Short Hills
William Clifford, Jr. (30).....87 Whitney Rd.

NEW YORK

Bronxville
Raymond S. DeMott (26) ..... Pondfield Rd.

Brooklyn
Alfred R. Marcks (25).....9 DeKalb Ave.

Mount Vernon
Henry F. Linsmann (17).....126 Burkewood Rd.

PENNSYLVANIA

Pittsburgh
Albert O. Horner (28).....12 North Diamond St.

Williamsport
Fred B. Wetzel (12).....25 W. Third St.

RHODE ISLAND

Pawtucket
Leo V. Boyle (4).....44 Broad St.

TEXAS

Austin
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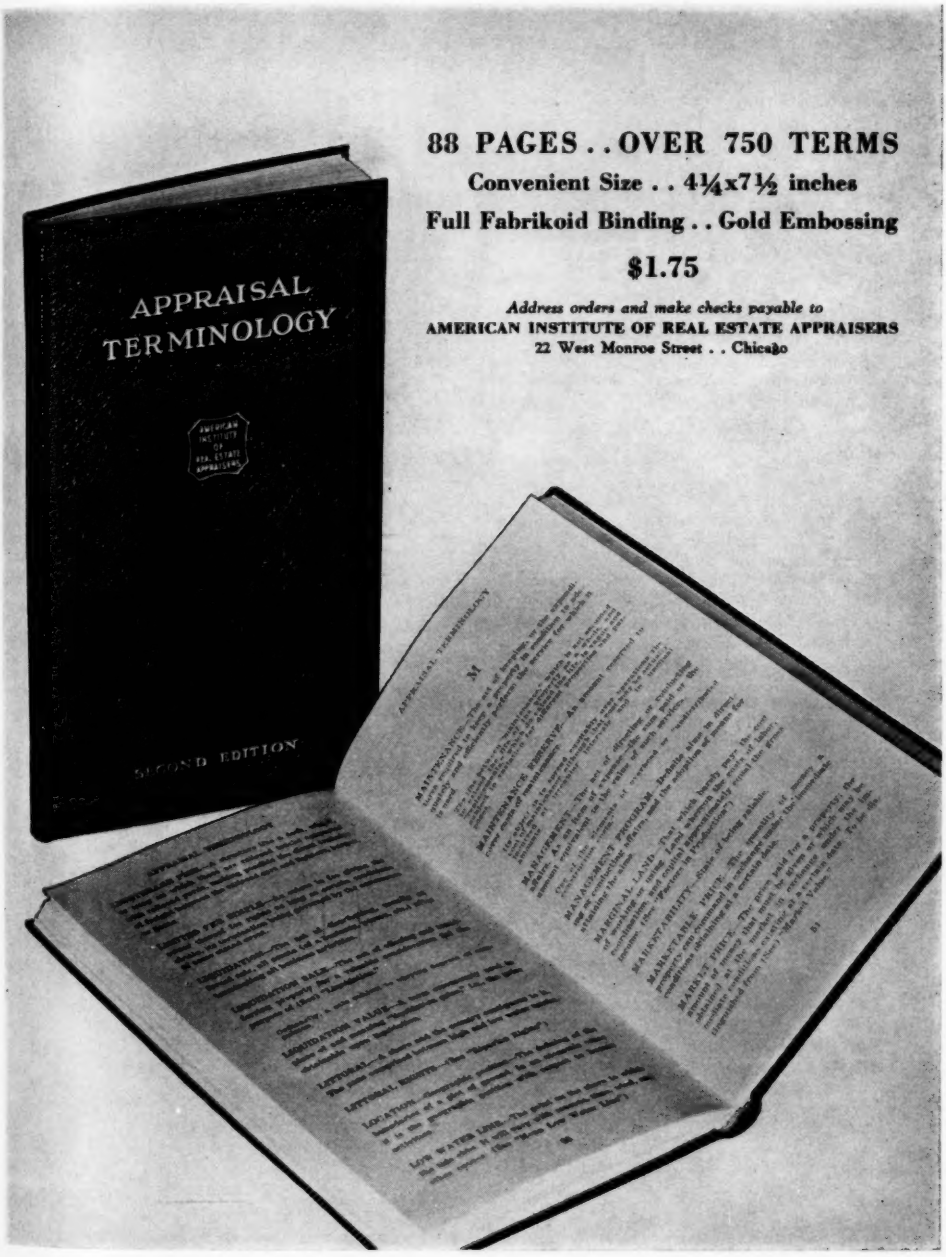

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